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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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**NI Holdings, Inc.**

(Exact name of registrant as specified in its charter)

**North Dakota**  
(State or other jurisdiction of  
incorporation or organization)

**6331**  
(Primary Standard Industrial  
Classification Code Number)  
1101 First Avenue North  
Fargo, ND 58102  
(701) 298-4200

**81-2683619**  
(I.R.S. Employer  
Identification Number)

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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**Michael J. Alexander**  
**Executive Vice President and Chief Executive Officer**  
**Nodak Mutual Insurance Company**  
1101 First Avenue North  
Fargo, ND 58102  
(701) 298-4200

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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*Copies to:*

**Wesley R. Kelso, Esquire**  
**Stevens & Lee, P.C.**  
111 North 6<sup>th</sup> Street  
Reading, PA 19603  
(610) 478-2242

**Scott H. Spencer, Esquire**  
**Stevens & Lee, P.C.**  
17 North Second Street  
Harrisburg, PA 17101  
(717) 399-6634

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 of the Securities Act of 1933, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

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CALCULATION OF REGISTRATION FEE

Table of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock, par value \$0.01 per share	10,350,000 shares	\$ 10.00 <sup>(1)</sup>	\$103,500,000 <sup>(2)</sup>	\$ 11,996
Subscription rights to purchase common stock	9,000,000 rights	\$ 0.67 <sup>(3)</sup>	\$ 6,030,000 <sup>(2)</sup>	\$ 699
Total			\$109,530,000	\$ 12,695

(1) Shares to be sold in the stock offering by the issuer have an offering price of \$10.00.

(2) Estimated solely for the purpose of calculating the registration fee.

(3) Estimated for the purpose of calculating the registration fee based on the redemption price for such rights.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

## PROSPECTUS

# NI HOLDINGS, INC.

## Up to 10,350,000 shares of Common Stock

This is the initial public offering of NI Holdings, Inc., a company formed in connection with the conversion of Nodak Mutual Insurance Company, or Nodak Mutual, from the mutual to stock form of organization and the creation of a mutual holding company. We are offering up to 10,350,000 shares of our common stock for sale at a price of \$10.00 per share. The shares we are offering will constitute 45% of our outstanding common stock. The remaining 55% of our outstanding common stock will be held by Nodak Mutual Group, Inc., which we refer to as Nodak Mutual Group. Immediately following the conversion, we will acquire all of the newly issued shares of Nodak Insurance Company common stock and will become the holding company for Nodak Insurance Company.

We are offering shares of our common stock in three phases: a subscription offering phase, a community offering phase, and a syndicated offering phase. The minimum number of shares that must be sold, the maximum number of shares that can be sold and the limit on the number of shares that any person may purchase apply to all three phases of the offering taken together.

We are offering shares in the subscription offering phase in the following order of priority: (1) first, to the policyholders of Nodak Mutual as of January 21, 2016, which we refer to herein as “eligible members”; (2) second, to our employee stock ownership plan, which we refer to as our ESOP; and (3) third, to directors, officers and employees of Nodak Mutual.

**Each eligible member will receive 322 subscription rights. Eligible members that do not purchase any shares of stock in the offering will have such subscription rights redeemed by us for cash in an amount equal to \$0.67 per right. Therefore, each eligible member that does not subscribe to purchase shares will receive \$215.74 in redemption of such eligible member’s subscription rights. See “The Conversion and the Offering — Redemption of Subscription Rights.”**

The subscription offering phase will end at noon, Central Time, on \_\_\_\_\_, 2016. Any shares of our common stock not sold in the subscription offering may be sold to the general public in the community offering phase, which will commence simultaneously with and end concurrently with the subscription offering phase unless extended by us. The community offering will end no later than \_\_\_\_\_, 2016. We may also sell shares of our common stock to offerees in a syndicated offering phase that may be conducted concurrently with or subsequent to the subscription offering and the community offering phases and that will end no later than \_\_\_\_\_, 2016.

Our ability to complete this offering is subject to certain conditions, including the sale of at least 7,650,000 shares of common stock in the offering, the approval of the plan of conversion by the policyholders of Nodak Mutual, and receipt of all required approvals from the North Dakota Insurance Commissioner. See “The Conversion and The Offering — Conditions to Closing” herein. Until such time as these conditions are satisfied, all funds submitted to purchase shares will be held in escrow with Christiana Trust, a division of Wilmington Savings Fund Society, FSB. Purchasers of shares of common stock in this offering will not receive any interest with respect to any of the funds that are held in escrow.

The minimum number of shares that a person may purchase is 25 shares. The maximum number of shares that a person may purchase is 5% of the total number of shares sold in the offering.

Griffin Financial Group, LLC, which we refer to as Griffin Financial, will act as our placement agent and will use its best efforts to assist us in selling our common stock in the offering, but is not obligated to purchase any shares of common stock that are being offered for sale. Purchasers will not pay any commission to purchase shares of common stock in the offering.

There is currently no public market for our common stock. We have applied for the quotation of our common stock on the Nasdaq Capital Market under the symbol “NODK.”

**We are an “emerging growth company” under the federal securities laws and will be subject to reduced public company reporting requirements. This investment involves risk. For a discussion of the material risks that you should consider, see “Risk Factors” beginning on page 15 of this prospectus.**

## OFFERING SUMMARY

Price: \$10.00 per share

	Minimum	Midpoint	Maximum
Number of shares offered	7,650,000	9,000,000	10,350,000
Gross offering proceeds	\$ 76,500,000	\$ 90,000,000	\$ 103,500,000
Estimated conversion and offering expenses	\$ 1,750,000	\$ 1,750,000	\$ 1,750,000
Estimated selling agent fees and expenses <sup>(1)(2)</sup>	\$ 1,630,000	\$ 1,900,000	\$ 2,170,000
Estimated net proceeds	\$ 73,120,000	\$ 86,350,000	\$ 99,580,000
Estimated net proceeds per share	\$ 9.56	\$ 9.59	\$ 9.62

(1) Represents the total of (i) the fees to be paid to Griffin Financial, which is equal to 2.0% of the gross proceeds from shares sold in the subscription offering and the community offering, and (ii) an estimate of the reimbursable expenses expected to be incurred by Griffin Financial in connection with the offering. If any of the shares are sold in a syndicated offering, the commission payable to Griffin Financial as the placement agent will be equal to 6.5% of the gross proceeds from the sale of such shares. See “The Conversion and The Offering — Marketing and Underwriting Arrangements.”

(2) Assumes that no shares are sold in a syndicated offering phase. See “The Conversion and The Offering — Marketing and Underwriting Arrangements” for the higher commission to be paid in the event of a syndicated offering. If shares are sold in a syndicated offering, net proceeds will be reduced.

**Neither the Securities and Exchange Commission, the North Dakota Insurance Department nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.**

# Griffin Financial Group, LLC

The date of this prospectus is , 2016

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## CERTAIN IMPORTANT INFORMATION

You should rely only on the information contained in this prospectus. We have not, and Griffin Financial has not, authorized any other person to provide information that is different from that contained in this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. We and Griffin Financial are offering to sell and seeking offers to buy our common stock only in jurisdictions where such offers and sales are permitted. You should assume that the information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date. Information contained on our web site is not part of this prospectus.

Unless the context otherwise requires, as used in this prospectus:

- “NI Holdings,” “the Company,” “we,” “us” and “our” refer to the registrant, NI Holdings, Inc., together with Nodak Mutual and its subsidiaries and Battle Creek prior to completion of the conversion, and after completion of the conversion refer to NI Holdings, Inc. and all of its subsidiaries and Battle Creek;
- the “Mutual Holding Company” and “Nodak Mutual Group” refer to Nodak Mutual Group, Inc., which after completion of the conversion and the offering will be the majority shareholder of NI Holdings, Inc.;
- the “conversion” refers to the series of transactions by which Nodak Mutual Insurance Company will convert from a mutual insurance company to a stock insurance company and become a wholly owned subsidiary of NI Holdings, Inc.;
- the “offering” and the “conversion offering” refer to the offering of up to 10,350,000 shares of our common stock to eligible members of Nodak Mutual, the ESOP, and the directors, officers and employees of Nodak Mutual under the plan of conversion in a subscription offering and to certain members of the general public in a community offering and, possibly, a syndicated offering. We expect to conduct the subscription offering and the community offering simultaneously. The syndicated offering may be conducted concurrently with or subsequent to the subscription offering and the community offering (See “The Conversion and the Offering”);
- “Nodak Insurance Company” refers to Nodak Mutual Insurance Company after its conversion to a stock insurance company;
- “Nodak Mutual” refers to Nodak Mutual Insurance Company prior to its conversion to a stock insurance company;
- “members” refers to the policyholders of Nodak Mutual, who are the named insureds under insurance policies issued by Nodak Mutual Insurance Company; and
- “Battle Creek” refers to Battle Creek Mutual Insurance Company. Battle Creek is not a subsidiary of Nodak Mutual, but all of its insurance policies are reinsured by Nodak Mutual through a 100% quota share reinsurance agreement and Battle Creek is controlled by Nodak Mutual as a result of an affiliation agreement between Battle Creek and Nodak Mutual. Battle Creek is consolidated with Nodak Mutual for financial accounting purposes.

## PROSPECTUS SUMMARY

*This summary highlights selected information from this prospectus and may not contain all of the information that is important to you. To understand the offering fully, you should read this entire prospectus carefully, including the financial statements and the notes to the financial statements included in this prospectus.*

### Overview of Nodak Mutual

Nodak Mutual Insurance Company is a mutual insurance company domiciled in North Dakota. Nodak Mutual writes primarily property and casualty insurance, multi-peril crop insurance, and crop hail insurance exclusively for members of the North Dakota Farm Bureau. Nodak Mutual markets its products through a network of over 65 exclusive producers in North Dakota. In 2015, Nodak Mutual had direct written premiums of \$132.1 million. Nodak Mutual has been assigned an “A” rating (positive outlook) by A.M. Best Company, Inc. (A.M. Best), which is the third highest out of fifteen possible ratings.

Nodak Mutual has two wholly owned insurance subsidiaries, American West Insurance Company (“American West”) and Primero Insurance Company (“Primero”). Nodak Mutual also controls Battle Creek Mutual Insurance Company (“Battle Creek”) through an affiliation agreement with Battle Creek, fully reinsures all of the insurance policies issued by Battle Creek, and for financial statement purposes consolidates Battle Creek’s results with its own.

American West is a stock insurance company domiciled in North Dakota. American West writes multi-peril crop, crop hail, farmowners, private passenger auto, and homeowners insurance in South Dakota, North Dakota, and Minnesota through independent agents in approximately 104 offices. In 2015, direct written premiums totaled \$8.7 million. American West has been assigned a “B+” rating (positive outlook) by A.M. Best. American West is licensed in eight states in the Midwest and Western United States.

Battle Creek is a mutual insurance company domiciled in Nebraska. Battle Creek writes private passenger auto, homeowners, farmowners, and multi-peril crop insurance exclusively in Nebraska through independent agents in approximately 288 offices. In 2015, direct written premiums totaled \$20.7 million, all of which was reinsured by Nodak Mutual. Battle Creek has been assigned an “A” rating (stable outlook) by A.M. Best. Under the Battle Creek bylaws, Nodak Mutual has the right to appoint two-thirds of the board of directors of Battle Creek and provides management services to Battle Creek pursuant to an affiliation agreement.

Primero is a stock insurance company domiciled in Nevada. Primero is a wholly owned subsidiary of Tri-State, Ltd., a holding company that is wholly owned by Nodak Mutual. Primero writes minimum limits auto liability insurance (so-called nonstandard auto insurance) in Nevada, Arizona, North Dakota, and South Dakota through approximately 612 independent agents. In 2015, direct written premiums totaled \$11.3 million. Because non-standard auto insurance is not as rating sensitive as other lines of business, Primero is not rated by A.M. Best, but does carry an “A” rating from Demotech.

At December 31, 2015, we had consolidated GAAP assets of \$258.6 million, liabilities of \$108.7 million, and surplus of \$149.9 million. For the year ended December 31, 2015, Nodak Mutual had \$172.8 million in consolidated direct written premiums, \$143.1 million in net written premiums, and net income of \$17.5 million. For the six months ended June 30, 2016, Nodak Mutual had consolidated direct written premiums of \$91.8 million, net written premiums of \$88.1 million, and net income of \$4.5 million. Each of the insurance companies is subject to examination and comprehensive regulation by the insurance department of the state in which it is domiciled. See “Description of Our Business.”

### Nodak Mutual Group, Inc.

Nodak Mutual Group, Inc., which we refer to as the Mutual Holding Company, is a North Dakota nonstock corporation formed to own a majority of the outstanding common stock of NI Holdings and to act as the mutual holding company for NI Holdings and Nodak Insurance Company. Through its board of directors, the Mutual Holding Company will be able to exercise voting control over most matters submitted to a vote of shareholders of NI Holdings, including the election of directors. The Mutual Holding Company is not currently an operating company and has not engaged in any business to date. We do not expect that the Mutual Holding Company will engage in any business activity other than owning a majority of the outstanding common stock of NI Holdings.



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The Mutual Holding Company is organized as a mutual company, and upon completion of the conversion and this offering, each policyholder of Nodak Insurance Company will become a member of the Mutual Holding Company. In addition, each future policyholder of Nodak Insurance Company will become a member of the Mutual Holding Company; however, a policyholder's membership in the Mutual Holding Company will terminate upon the termination, cancellation or nonrenewal of such policyholder's insurance policy.

### **NI Holdings, Inc.**

This offering is being made by NI Holdings, Inc., a North Dakota corporation formed to act as an intermediate holding company and to own all of the outstanding capital stock of Nodak Insurance Company. Through its board of directors, NI Holdings will elect the directors of Nodak Insurance Company and direct, plan and coordinate Nodak Insurance Company's business activities. In the future, NI Holdings may also acquire or organize other operating subsidiaries, including insurance companies or other fee-based insurance businesses such as insurance agencies, but it currently has no specific plans or agreements to do so.

### **Our Competitive Strengths**

We believe that we have a strong record of success in our market that is based on key competitive strengths including:

- *Strong capitalization.* In the last 5 years we have added \$54.4 million to statutory surplus.
- *Strong operating results.* In 2015, we had a combined ratio of 86.4%, and we have had a combined ratio under 100% in 11 of the past 12 years. As a result we have outperformed the A. M. Best industry composite performance.
- *Experienced management.* The four senior managers have been working together for 10 years and have 108 years of combined industry experience.

Our success has resulted in Nodak Mutual being identified as a Ward's Top 50 property and casualty insurance company for three consecutive years and four out of the last five years. Ward Group is a leading provider of benchmarking and best practices studies for the insurance industry.

### **Our Market, Strategies and Offering Rationale**

#### *Market Overview*

Our primary markets are North Dakota, Nebraska, South Dakota and Minnesota. We write only nonstandard auto insurance in Nevada and Arizona. Nodak Mutual is the third largest property and casualty insurer in North Dakota, where it had 2015 direct written premiums of \$134.5 million representing 5.3% of a \$2.5 billion market. In our other primary markets we have a much smaller market presence. Through Battle Creek, we are the 44<sup>th</sup> largest writer in the \$4.5 billion Nebraska market, and through American West, we are the 88<sup>th</sup> largest writer in the \$2.4 billion South Dakota market and the 325<sup>th</sup> largest writer in the \$11.0 billion Minnesota market, where we focus almost exclusively on multi-peril crop insurance. Through Primero, we are the 119<sup>th</sup> largest writer in the \$4.5 billion Nevada market. Primero writes 70% of its direct written premiums in Nevada.

#### *Organic Growth Strategy*

Given our market presence in each of these key states, we believe we have ample opportunity to increase business in our primary markets organically. Strategies we employ to grow organically include:

- Continued emphasis on our relationship between Nodak Mutual and the North Dakota Farm Bureau, a key advocacy group for agricultural and rural interests that enjoys a high and favorable profile throughout North Dakota;
- Using the cost advantage created by our low expense ratio compared to peers (26.2% expense ratio in 2015 compared to average expense ratio of 31.25 for our peers) to selectively expand market share in our primary markets;
- Expansion and enhancement of agency relationships in Nebraska and South Dakota, including the use of technology such as mobile apps, on-line quoting, and policy issuance initiatives to make it easy for independent agents and insureds to do business with us;

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- Selective expansion of Primero in its core markets of Nevada and Arizona as well as expansion of the nonstandard auto product in our core upper Midwest market area;
- Excellent claims service for all insureds; and
- Selective expansion of our participation in the federal multi-peril crop insurance program where we have experience and expertise.

### *External Growth Strategy*

We successfully acquired Primero in 2014 and Battle Creek in 2011. American West was acquired in 2001. We believe that with the additional capital we will raise through this offering, we will be able to continue selectively making acquisitions that complement our strategy. Areas of interest include acquisition of a commercial writer and geographic expansion. The acquisition of a commercial writer would help us better diversify our book of business among personal lines insurance, multi-peril crop insurance and commercial lines insurance, where we currently write only a limited amount of business. Selective geographic expansion would help diversify weather-related risk and catastrophe risk. Although we are open to acquisitions throughout the United States, the ability to expand in South Dakota through acquisition where our presence is not yet significant would be attractive and would bridge the market between our North Dakota and Nebraska franchises.

The completion of this offering will supply additional capital needed to support substantially increased premium volume, which we expect to result from the implementation of both our organic and inorganic growth strategies.

### **Reasons for the Conversion and the Offering**

As a mutual insurance company, Nodak Mutual Insurance Company is unable to raise additional capital to support its growth strategy except through the retention of earnings or the issuance of surplus notes, which must eventually be repaid with interest. As a property and casualty insurance company, our operating results are highly dependent on weather related losses in our personal, crop, and commercial lines of insurance. Because a high percentage of the properties and crops that we insure are located in North Dakota, if North Dakota experiences adverse weather conditions in multiple years during a limited span of years, resulting losses could impair our ability to execute our growth strategy and impair our A.M. Best rating. Accordingly, Nodak Mutual's board of directors decided that it was in the best interest of the company and its members to raise additional capital through the conversion of the company from a mutual insurance company to a stock company and the issuance of shares of capital stock.

Under North Dakota law, unless the North Dakota Insurance Commissioner approves an alternative plan, a mutual property and casualty insurance company that adopts a plan to convert from mutual to stock form must first offer to its members any shares of stock that will be issued in connection with such conversion. Accordingly, we are conducting this public offering in order to provide the eligible members of Nodak Mutual the right to purchase our shares in the subscription offering.

In connection with its decision to convert from a mutual to a stock form of organization, the board of directors determined that engaging in a full mutual-to-stock conversion would raise more capital than it expects to prudently deploy in a reasonable time period. Accordingly, the board of directors concluded that a mutual holding company reorganization would be more appropriate because it would result in less capital being raised in comparison to a full mutual-to-stock conversion. Under a mutual holding company structure, the mutual holding company must retain at least a majority of the voting rights of the insurance company or an intermediate holding company. We have chosen to sell 45% of our shares to our members and the public. As a result, the Mutual Holding Company will own 55% of NI Holdings, which will then own 100% of Nodak Insurance Company. We have chosen to offer 45% of NI Holdings rather than 49% because it provides us with the flexibility to issue authorized but unissued shares to fund our proposed equity incentive compensation plan while maintaining the Mutual Holding Company's majority ownership position as required by North Dakota law.

In the future, we may undertake a transaction commonly known as a "second-step conversion" if we identify uses for the additional capital we would raise or otherwise believe conversion to a full publicly owned company is in the best interests of NI Holdings and its stakeholders. In a second-step conversion,

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Nodak Mutual Group would convert to stock form and simultaneously acquire all of the shares of NI Holdings not held by Nodak Mutual Group in a stock for stock exchange. In a second-step conversion, members of the Mutual Holding Company would have subscription rights to purchase newly issued shares of the Mutual Holding Company or a newly formed holding company, and the public shareholders of NI Holdings would be entitled to exchange their shares for shares of the Mutual Holding Company or such new holding company. The exchange ratio will be determined at that time and would be an amount necessary to provide shareholders of NI Holdings with approximately the same percentage ownership in the resulting entity as they have in NI Holdings at the time of such second-step conversion. NI Holdings' public shareholders, therefore, would own approximately the same percentage of the resulting entity as they owned before the second-step conversion. The board of directors has no current plan to undertake a second-step conversion transaction.

### **Effect of the Conversion of Nodak Mutual from Mutual to Stock Form**

As a mutual insurance company, Nodak Mutual Insurance Company has no shareholders, but it does have members. The members of Nodak Mutual are its policyholders. Like shareholders, the members have voting rights with respect to the election of directors of Nodak Mutual and any other matters submitted to the vote of members. Unlike shares held by shareholders, however, the memberships in Nodak Mutual are not transferable and do not exist separate from the related insurance policy issued by the insurance company. Therefore, these membership rights are extinguished when a policyholder cancels or does not renew the policy or the policy is otherwise terminated. The conversion will have no effect on the contractual rights of the policyholders of Nodak Mutual to insurance coverage under their insurance policies.

On January 21, 2016, Nodak Mutual's board of directors adopted a plan of conversion by which Nodak Mutual will convert from a mutual insurance company to a stock insurance company and issue all of its outstanding capital stock to Nodak Mutual Group, which will then contribute all of such shares to NI Holdings. Following the conversion, Nodak Insurance Company will be a wholly owned subsidiary of NI Holdings. American West, Tri-State Ltd., and Primero will continue to be subsidiaries of Nodak Insurance Company and Nodak Insurance Company will continue to manage Battle Creek. The affirmative vote of at least two-thirds of the votes cast by members of Nodak Mutual as of \_\_\_\_\_, 2016, is necessary to approve the plan of conversion at a special meeting of the members to be held on \_\_\_\_\_, 2016.

### **Appraisal**

The plan of conversion and North Dakota law require that the purchase price of the common stock be based on the estimated pro forma market value of Nodak Mutual as determined by an independent valuation firm. Nodak Mutual retained Feldman Financial Advisors, Inc. to perform this valuation. The valuation may be in the form of a range consisting of a midpoint valuation, a valuation fifteen percent (15%) above the midpoint valuation and a valuation fifteen percent (15%) below the midpoint valuation. Based on the valuation performed by Feldman Financial as of December 31, 2015, the estimated pro forma market value of Nodak Mutual is between \$170.0 million and \$230.0 million. We plan to issue between 7,650,000 and 10,350,000 shares of our common stock in the offering. This range was determined by taking 45% of the minimum of the valuation range and 45% of the maximum of the valuation range of Nodak Mutual as determined by Feldman Financial and dividing each amount by the \$10.00 per share offering price.

### **The Subscription and Community Offerings**

We are offering between 7,650,000 shares and 10,350,000 shares of our common stock for sale at a purchase price of \$10.00 per share. All purchasers of our common stock in the offering will pay the same cash price per share. In the subscription offering phase, shares of common stock are being offered in the following order of priority:

- first, to the policyholders of Nodak Mutual as of January 21, 2016, which are referred to as the "eligible members";
- second, to the ESOP; and
- third, to the directors, officers and employees of Nodak Mutual.

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The policyholders of Nodak Mutual, the ESOP, and the directors, officers and employees of Nodak Mutual have the right to purchase shares of common stock in the offering subject to these priorities. We call the offering of the common stock to these constituents the “subscription offering.”

In the community offering phase, shares of common stock are being offered to the general public consisting primarily of individuals in Nodak’s market area and certain other investors who typically invest in mutual to stock conversions. We may, at our option, grant preference to orders received from people who became policyholders of Nodak Mutual after January 21, 2016, to licensed insurance producers appointed by Nodak Mutual, to members of the North Dakota Farm Bureau, to employees of Tri-State Ltd., to residents of North Dakota, to licensed insurance producers appointed by American West, Battle Creek and Primero and to residents of South Dakota, Nebraska, Minnesota, Nevada and Arizona. We refer to this as the “community offering.” Unlike the subscription offering, purchasers in the community offering do not have any right to purchase shares in the offering, and their orders are subordinate to the rights of the purchasers in the subscription offering.

Any of the 10,350,000 offered shares of common stock not subscribed for in the subscription offering may be sold in the community offering. However, we reserve the absolute right to accept or reject any orders in the community offering, in whole or in part. We are planning to conduct the community offering concurrently with the subscription offering.

### **Redemption of Subscription Rights**

Each eligible member has been granted 322 subscription rights. As provided in the plan of conversion, this amount equals the 9,000,000 shares that would be issued at the midpoint of the valuation of Nodak Mutual, divided by the number of eligible members as of January 21, 2016, which was 27,915. Each eligible member may either:

- Exercise such subscription rights by purchasing shares in the offering, or
- Elect, either affirmatively or by failing to purchase any shares in the offering, to have Nodak Insurance Company redeem for cash all, but not less than all, of such eligible member’s subscription rights. Each subscription right has been determined to have a value of \$0.67 for the purpose of the amount to be paid in redemption of the subscription right. Therefore, each eligible member who does not purchase any shares in the offering will receive cash in the amount of \$215.74.

The redemption price for the subscription rights was determined by Feldman Financial using the Black-Scholes option pricing methodology prescribed by the North Dakota property and casualty insurance company conversion law. Any eligible member who has his or her subscription rights redeemed will not be permitted to purchase shares of NI Holdings in the offering. **If an eligible member transfers such member’s subscription rights to a permitted transferee, such subscription rights are no longer redeemable.** See “The Conversion and the Offering — Redemption of Subscription Rights for Cash” and “— Permitted Transfers of Subscription Rights.”

### **The Syndicated Offering**

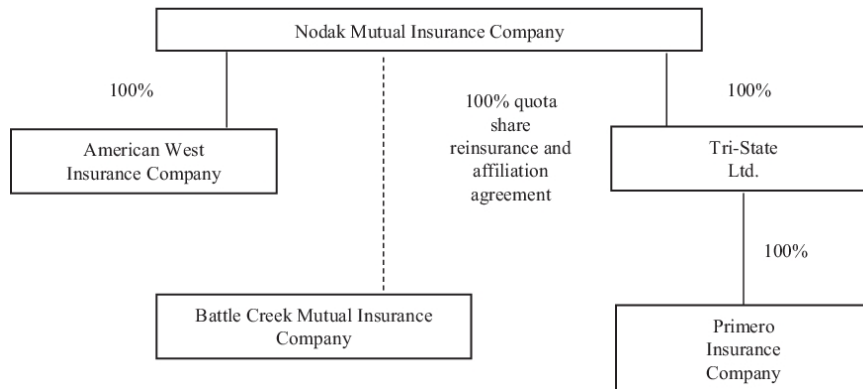
If participants in the subscription and community offerings purchase fewer than 10,350,000 shares, we, in our sole discretion, may sell additional shares on a best efforts basis using a syndicate of registered broker-dealers managed by Griffin Financial. We refer to this phase of the offering as the “syndicated offering.” This syndicated offering may be conducted concurrently with or after the subscription offering and the community offering.

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The following table shows those persons that are eligible to purchase shares in the various phases of the offering and the shares available for purchase in each phase of the offering. We expect to conduct the subscription offering and the community offering simultaneously, and the syndicated offering may be conducted concurrently with or after the subscription offering and community offering.

<u>Offering</u>	<u>Eligible Purchasers</u>	<u>Shares Available for Purchase</u>
Subscription Offering	Policyholders of Nodak Mutual at January 21, 2016; The ESOP; and Officers, directors and employees of Nodak Mutual.	10,350,000 shares  240,000 shares
Community Offering	Persons who became policyholders of Nodak Mutual after January 21, 2016, licensed producers appointed by Nodak Mutual, members of the North Dakota Farm Bureau, employees of Tri-State Ltd., residents of North Dakota, licensed producers appointed by Battle Creek, American West, and Primero, residents of South Dakota, Minnesota, Nebraska, Nevada and Arizona, and the general public, consisting principally of individuals in Nodak’s market area and certain other investors who typically invest in mutual to stock conversions.	10,350,000 shares, less shares subscribed for by eligible members and the ESOP 10,350,000 shares, less shares subscribed for in the subscription offering
Syndicated Offering	All members of the general public, consisting principally of institutional investors and the retail customers of the broker-dealers comprising the syndicate.	10,350,000 shares, less shares subscribed for in the subscription offering and the community offering

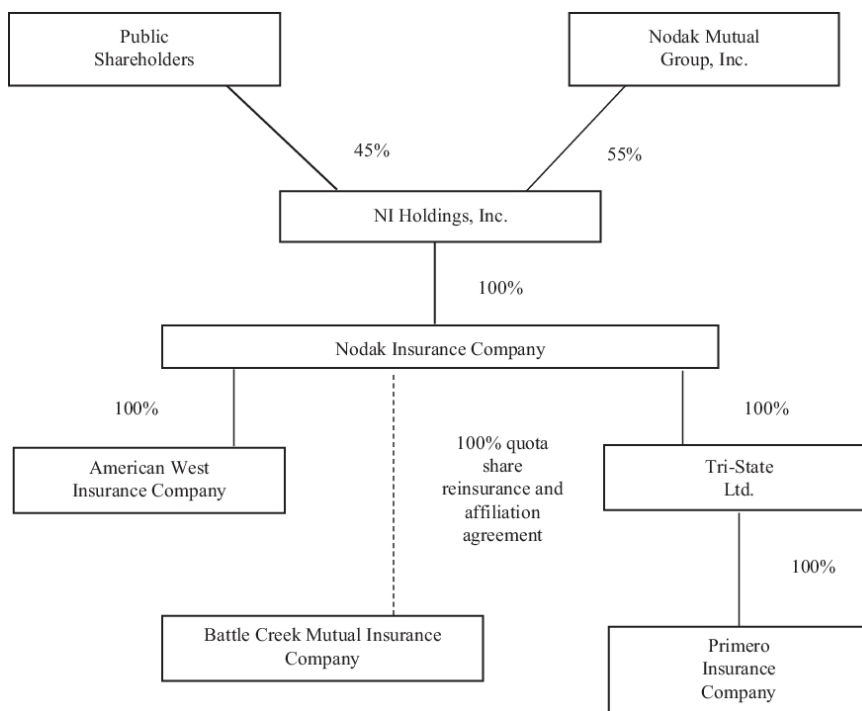
**Our Structure Prior to the Conversion**



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**Our Structure Following the Conversion**

The following chart shows our corporate structure following completion of the conversion.



**Use of Proceeds**

We expect the net proceeds of the offering to be between \$73.1 million and \$99.6 million, after the payment of conversion and offering expenses and selling agent fees and expenses. The table below assumes there is no syndicated offering. If a portion of the shares are sold in a syndicated offering, net proceeds will be reduced because we will pay a higher commission in the syndicated offering than on shares sold in the subscription and community offerings. See “The Conversion and the Offering — Marketing and Underwriting Arrangements.” We intend to use the net proceeds from the offering as follows:

	<u>Minimum</u>	<u>Maximum</u>
<b>Net Proceeds</b>		
Gross proceeds	\$ 76,500,000	\$ 103,500,000
Conversion and offering expenses	1,750,000	1,750,000
Estimated selling agent fees and expenses	1,630,000	2,170,000
Net proceeds	<u>\$ 73,120,000</u>	<u>\$ 99,580,000</u>
<b>Use of Net Proceeds</b>		
Redemption of subscription rights <sup>(1)</sup>	\$ 5,427,000	\$ 5,427,000
General corporate purposes	67,693,000	94,153,000
Total	<u>\$ 73,120,000</u>	<u>\$ 99,580,000</u>

(1) Solely for the purpose of estimating net proceeds, we have assumed that eligible members will elect to have 90% (or 8,100,000) of the subscription rights redeemed by Nodak Insurance Company at a price of \$0.67 per subscription right in cash. Net proceeds will be greater if fewer eligible members have their subscription rights redeemed, or less if more eligible members have their subscription rights redeemed. If no shares are purchased by eligible members, the maximum redemption price paid by NI Holdings for such subscription rights would be \$6,030,000.

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Prior to the closing of the offering, Nodak Mutual will make a \$2,400,000 loan to our ESOP to permit it to purchase 240,000 shares in the offering.

We expect to retain all of the remaining net proceeds from the offering at NI Holdings, except to the extent that we are required by the North Dakota Insurance Department to contribute a portion of the net proceeds to Nodak Insurance Company. Any remaining net proceeds retained at NI Holdings will be used for general corporate purposes, including to pay dividends to shareholders, to fund stock repurchases, and to fund possible future acquisitions. On a short-term basis, the proceeds retained at NI Holdings will be invested primarily in U.S. government securities, other federal agency securities, and other securities consistent with our investment policy until utilized.

Except for the foregoing, we currently have no specific plans, intentions, arrangements or understandings regarding the proceeds of the offering. See "Use of Proceeds" and "Dividend Policy."

### **How Do I Buy Stock in the Offering?**

To buy common stock in the offering, sign and complete the stock order form that accompanies this prospectus and send it to us with your payment in the envelope provided so that it is received no later than noon, Central Time on \_\_\_\_\_, 2016. Payment may be made by personal check, cashier's check or money order payable to "Christiana Trust on behalf of NI Holdings, Inc." After you send in your payment, you have no right to modify your investment or withdraw your funds without our consent, unless we extend the offering to a date later than \_\_\_\_\_, 2016. See "The Conversion and The Offering — If Subscriptions Received in all of the Offerings Combined Do Not Meet the Required Minimum" and "The Conversion and The Offering — Resolicitation." We may or may not consent to any modification or withdrawal request in our sole discretion. We may reject a stock order form if it is incomplete or not timely received. We may also reject any order received in the community offering or the syndicated offering, in whole or in part, for any or no reason.

### **How Do I Elect to Have My Subscription Rights Redeemed by NI Holdings?**

Each eligible member was granted 322 subscription rights under the plan of conversion. Eligible members may elect to have all, but not less than all, of the subscription rights that they were granted redeemed by NI Holdings for cash equal to \$0.67 for each such subscription right, or \$215.74 in the aggregate. You may elect to have your subscription rights redeemed by making such election on the stock order form that accompanies this prospectus and signing and returning it in the envelope provided. Any eligible member that has not transferred such member's subscription rights and does not purchase shares in the offering will be deemed to have elected to have such subscription rights redeemed for cash. **Only subscription rights held by eligible members will be redeemed. If you have transferred your subscription rights, neither you nor the transferee will be entitled to have such subscription rights redeemed for cash.** See "The Conversion and the Offering — Permitted Transfers of Subscription Rights" and "— Redemption of Subscription Rights for Cash."

### **Limits on Your Purchase of Common Stock**

The minimum number of shares a person or entity may subscribe for in the offering is 25 shares (\$250). The maximum number of shares that a person or entity, together with any affiliate, associate or any person or entity with whom he or she is acting in concert, may purchase in the offering without the prior approval of the Department is 5% of the total shares sold in the offering. For this purpose, an associate of a person or entity includes:

- such person's spouse;
- relatives of such person or such person's spouse living in the same house;
- companies, trusts or other entities in which such person or entity holds 10% or more of the equity securities (excluding the ESOP);
- a trust or estate in which such person or entity holds a substantial beneficial interest or serves in a fiduciary capacity (excluding a qualified employee benefit plan, such as the ESOP); or
- any person acting in concert with any of the persons or entities listed above.

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We may decrease or increase the maximum purchase limitation. See “The Conversion and The Offering — Limitations on Purchases of Common Stock.” In the event that we change the maximum purchase limitation, we will distribute a prospectus supplement or revised prospectus to each person who has placed an order to purchase the previous maximum number of shares such person could purchase in the offering and provide them with the opportunity to increase their subscription.

### **Oversubscription**

If you are a policyholder of Nodak Mutual as of January 21, 2016, and we receive subscriptions in the subscription offering for more than 10,350,000 shares, which is the maximum number of shares being offered, your subscription may be reduced. In that event, no shares will be sold to the ESOP or to directors, officers and employees of Nodak Mutual (except in his or her capacity as a policyholder of Nodak Mutual as of January 21, 2016) and no shares will be sold in the community offering or syndicated offering. In that event, the shares of common stock will be allocated to policyholders of Nodak Mutual as of January 21, 2016 on a pro rata basis based on the amount that each eligible member subscribed to purchase.

If policyholders of Nodak Mutual as of January 21, 2016 subscribe for less than 10,350,000 shares, but together with the ESOP and directors, officers and employees of Nodak Mutual subscribe for more than 7,650,000 shares, each policyholder as of such date will be allowed to purchase the full amount of shares for which he or she subscribed, and the remaining shares of common stock will be sold to the ESOP and then allocated among such directors, officers and employees on a pro rata basis based on the amount that each director, officer and employee subscribed to purchase.

For a more complete description of the allocation procedures in the event of an oversubscription, see “The Conversion and The Offering — Subscription Offering and Subscription Rights.”

If we receive in the subscription offering subscriptions for less than 7,650,000 shares of common stock, but in the subscription, community, and syndicated offerings together we receive subscriptions and orders for more than 7,650,000 shares, we will sell to participants in the subscription offering the number of shares sufficient to satisfy their subscriptions in full, and then may accept orders in the community offering and the syndicated offering, with preference given to orders received in the community offering, provided that the total number of shares sold in all three offerings does not exceed 10,350,000 shares.

### **Undersubscription**

If the number of shares purchased in the subscription, community and syndicated offerings are collectively less than 7,650,000, then we will promptly return all funds received in the offerings to purchasers, without interest. In that event, we may cause a new valuation of Nodak Mutual to be performed, and based on this valuation amend the registration statement of which this prospectus is a part and commence a new offering of the common stock. In that event, people who submitted subscriptions or orders will be permitted to submit new subscriptions or orders. See “The Conversion and The Offering — Resolicitation.”

### **Shares Outstanding Immediately After the Offering**

After the offering, there will be a minimum of 17,000,000 shares and a maximum of 23,000,000 shares of our common stock issued and outstanding, including shares held by the Mutual Holding Company. In either case, the amount of shares we are offering will represent approximately 45% of our outstanding common stock because if we increase the number of shares sold in the offering, the number of shares that we issue to the Mutual Holding Company will increase on a corresponding basis.

### **Market for Common Stock**

We have applied for listing on the Nasdaq Capital Market under the symbol “NODK,” but an active trading market for our stock may not develop. Griffin Financial intends to become a market maker in our common stock following the offering, but is under no obligation to do so. Neither we nor any market maker has any control over the development of an active public market. See “Market for Our Common Stock.”

### **Management Purchases of Stock**

The directors and officers of Nodak Mutual, together with their affiliates and associates, propose to purchase approximately 61,300 shares of common stock in the offering. This amount includes any of the



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shares of common stock that businesses owned or controlled by such directors and executive officers may subscribe to purchase in their capacity as an eligible member. Such directors and executive officers and their affiliates and associates are not obligated to purchase this number of shares, and in the aggregate they may purchase a greater or smaller number of shares. See “The Conversion and The Offering — Proposed Management Purchases.”

### **Benefits to Management**

After completion of the offering, we intend to implement an equity incentive compensation plan if shareholder approval of the plan is obtained. Such approval cannot be obtained earlier than six months after completion of the conversion. If the equity compensation plan is approved by our shareholders, we intend to grant restricted stock awards and stock options to directors and certain officers, and employees. The restricted stock awards will consist of shares of NI Holdings, which will be issued at no cost to directors, officers and employees and will vest over a period of time specified in the award in exchange for continued service. The stock options will also be issued to directors and certain officers and employees without cost to them, but they will be required to pay the applicable exercise price at the time of exercise to receive the shares covered by the options. See “Management — Benefit Plans and Employment Agreements.” The board of directors has not determined the number of shares that will be authorized to be issued under the equity incentive compensation plan.

The following table summarizes the stock benefits that directors, officers and employees may receive in connection with or subsequent to the conversion offering, assuming that the number of shares sold is at the midpoint of the offering range:

<b>Plan</b>	<b>Individuals Eligible to Receive Awards</b>	<b>% of Shares Issued</b>	<b>Number of Shares</b>	<b>Value of Shares Based on \$10.00 Share Price</b>
ESOP	All full-time employees	2.7%	240,000	\$2,400,000
Shares available under the stock compensation plan for restricted stock awards	Directors and selected officers and employees	(1)	(1)	\$ (1)
Shares available under the stock compensation plan for common stock options	Directors and selected officers and employees	(1)	(1)	\$ 0 <sup>(2)</sup>

(1) The Company’s board of directors had not determined the number of shares that will be authorized to be issued under the equity incentive compensation plan in the form of restricted stock awards or stock options.

(2) Stock options will be granted with a per share exercise price at least equal to the market price of our common stock on the date of grant. The value of a stock option will depend upon increases, if any, in the price of our common stock during the term of the stock option.

In addition, three executive officers of Nodak Mutual entered into employment agreements with NI Holdings and Nodak Mutual in connection with this stock offering.

### **Deadlines for Purchasing Stock**

If you wish to purchase shares of our common stock, a properly completed and signed original stock order form, together with full payment for the shares, must be received (not postmarked) at the Stock Information Center no later than 12:00 noon, Central Time, on \_\_\_\_\_, 2016. You may submit your order form in one of three ways: by mail using the order reply envelope provided, by overnight courier to the address indicated on the stock order form, or by bringing the stock order form and payment to the Stock Information Center, which is located at our offices at 1101 First Avenue North, Fargo, North Dakota 58102. The Stock Information Center is open weekdays, except bank holidays, from 10:00 a.m. to 4:00 p.m., Central Time. Once submitted, your order is irrevocable unless the offering is terminated or extended. We may extend the \_\_\_\_\_, 2016 expiration date, without notice to you. If we extend the subscription offering to a date

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later than \_\_\_\_\_, 2016, the stock orders will be canceled and all funds received will be returned promptly without interest. The subscription offering may not be extended to a date later than \_\_\_\_\_, 2016. The community offering and syndicated offering, if conducted, may terminate at any time without notice, but no later than 45 days after the termination of the subscription offering.

### **Conditions That Must Be Satisfied Before We Can Complete the Offering and Issue the Stock**

Before we can complete the offering and issue our stock, the members of Nodak Mutual as of [•], 2016 must approve the plan of conversion, and we must sell at least the minimum number of shares offered. No funds will be released from the escrow account until the offering has been completed and all of these conditions have been satisfied. If all of these conditions are not satisfied by [•], 2016, the offering will be terminated and all funds will be returned promptly without interest.

### **Termination of the Offering**

We have the right to cancel the offering at any time. If we cancel the offering, your money will be promptly refunded, without interest.

### **Dividend Policy**

Following the conversion and the offering, we intend to adopt a policy of paying regular cash dividends, but we have not yet determined the amount that may be paid or when the payment of dividends may begin. We anticipate that the Mutual Holding Company will waive its right to receive substantially all of the dividends that are paid to it by us.

As a holding company, our ability to pay dividends will be dependent upon any proceeds from the offering retained by us and the declaration and payment of dividends to us by Nodak Insurance Company. The payment of dividends by Nodak Insurance Company may require the prior approval of the Department. For additional information regarding restrictions on our ability to pay dividends, see "Dividend Policy."

### **Implications of Being an Emerging Growth Company**

As a company with less than \$1.0 billion in revenue during our last fiscal year, we qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, commonly known as the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and reduction of other obligations that are otherwise applicable generally to public companies. These provisions include:

- a requirement to include in this prospectus only two years of audited financial statements, two years of selected financial information, and two years of related Management Discussion & Analysis;
- exemption from the auditor attestation requirement on the effectiveness of our internal control over financial reporting;
- reduced disclosure about our executive compensation arrangements; and
- no shareholder non-binding advisory votes on executive compensation or golden parachute arrangements.

We may take advantage of these provisions until the earlier of five years or such time as we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than \$1.0 billion in annual revenues, have more than \$700 million in market value of our capital stock held by non-affiliates, or issue more than \$1.0 billion of non-convertible debt over a three-year period. We may choose to take advantage of some but not all of these reduced compliance obligations.

Section 107 of the JOBS Act also provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards.

### **Delivery of Prospectus**

To ensure that each person receives a prospectus at least 48 hours before the offering deadline, we will not mail prospectuses any later than five days before such date or hand-deliver prospectuses later than two

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days before that date. Stock order forms may only be delivered if accompanied or preceded by a prospectus. We are not obligated to deliver a prospectus or order form by means other than U.S. mail.

We will make reasonable attempts to provide a prospectus and offering materials to holders of subscription rights. The subscription offering and all subscription rights will expire at 12:00 noon, Central Time, on [•], 2016 whether or not we have been able to locate each person entitled to subscription rights.

### **Delivery of Shares of Common Stock**

All shares of common stock of NI Holdings sold in the subscription offering and community offering will be issued in book entry form and held electronically on the books of our transfer agent. Stock certificates will not be issued. A statement reflecting ownership of shares of common stock sold in the offering will be mailed by our transfer agent to the persons entitled thereto at the address noted by them on their stock order form as soon as practicable following consummation of the conversion. Shares of common stock sold in the syndicated offering may be delivered electronically through the services of The Depository Trust Company. We expect trading in the stock to begin on the business day of or on the business day immediately following the completion of the conversion and stock offering. **It is possible that until a statement reflecting ownership of shares of common stock is available and delivered to purchasers, purchasers might not be able to sell the shares of common stock that they ordered, even though the common stock will have begun trading.** Your ability to sell the shares of common stock before receiving your statement will depend on arrangements you may make with a brokerage firm.

### **How You May Obtain Additional Information Regarding the Offering**

If you have any questions regarding the stock offering, please call the Stock Information Center at [•], Monday through Friday between 10:00 a.m. and 4:00 p.m., Central Time or write to us at NI Holdings, Inc., 1101 First Avenue North, Fargo, North Dakota 58102. The Stock Information Center will be closed on weekends and bank holidays. Our Stock Information Center is located at our offices at 1101 First Avenue North, Fargo, North Dakota 58102. Additional copies of the materials will be available at the Stock Information Center.

### **Risk Factors**

NI Holdings and its businesses are subject to numerous risks as more fully described in the section of this prospectus titled "Risk Factors." As part of your evaluation of our business and a possible investment in our common stock, you should consider the challenges and risks we face in implementing our business strategies, including the following:

- Catastrophe losses due to snow storms, ice storms, freezing temperatures, tornados, wind, hail, flooding, fires and other natural or man-made disasters can have a significant negative impact on our operating results and financial condition, and the frequency and severity of losses due to these events are unpredictable;
- A significant portion of our net income is derived from our sales of multi-peril crop insurance. The profits and losses realized under the multi-peril crop line of insurance written by Nodak Mutual and its subsidiaries are subject to substantial volatility based on the timing, location and severity of weather conditions in the areas where the crops are insured;
- Our multi-peril crop line of business depends on the United States government's crop insurance program. If Congress voted to terminate or significantly limit the amount of risk it assumes or the premium subsidies provided to farmers under such program, it could have a material adverse effect on our results of operations;
- A majority of the outstanding shares of our common stock will be held by Nodak Mutual Group, which will be able to elect all of the members of our board of directors and exercise significant control over us and our operations;
- Because we are an insurance holding company, we will depend on proceeds from the offering retained at the holding company level and dividends and management fees from Nodak Insurance

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Company to pay our operating expenses, to repay any indebtedness, and to fund any dividends and stock repurchases. The payment of dividends by Nodak Insurance Company will be restricted by North Dakota's insurance law, and American West and Primero historically have not paid dividends to Nodak Mutual;

- We intend to pursue acquisition opportunities in our various insurance lines. We may be unable to identify and complete acquisitions on terms favorable to us, and integration of such businesses will entail various risks and may distract our management from the day to day operations of our business; and
- Approximately 55% of our outstanding shares will be owned by the Nodak Mutual Group after completion of this offering. Accordingly, an active trading market for our common stock may not develop and there may be limited liquidity in our common stock.

## RISK FACTORS

*In addition to all other information contained in this prospectus, you should carefully consider the following risk factors in deciding whether to purchase our common stock. If any of these risks actually occur, our business, financial condition and results of operations could be materially adversely affected and the price of our common stock and the value of your investment in our common stock could decline substantially.*

### **Risks Related to Our Business and Industry**

#### **Catastrophic or other significant natural or man-made losses may negatively affect our financial condition and operating results.**

As a property and casualty insurer, we are subject to claims from catastrophes that may have a significant negative impact on operating and financial results. We have experienced catastrophe losses and can be expected to experience catastrophe losses in the future. Catastrophe losses can be caused by various events, including snow storms, ice storms, freezing temperatures, earthquakes, tornadoes, wind, hail, fires, and other natural or man-made disasters. The frequency, number and severity of these losses are unpredictable. The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event.

Approximately 77.8% of Nodak Mutual's consolidated premiums in 2015 was written in North Dakota. Because Nodak Mutual's business is concentrated in North Dakota, adverse developments from severe weather events such as hail storms, flooding or droughts affecting a large portion of North Dakota would have a disproportionately greater effect on Nodak Mutual's financial condition and results of operations than if its business were less geographically concentrated. The incidence and severity of such events are inherently unpredictable. In recent years, changing climate conditions have increased the unpredictability, severity and frequency of tornados and other storms.

We attempt to reduce our exposure to catastrophe losses through the underwriting process and by obtaining reinsurance coverage. However, in the event that we experience catastrophe losses, we cannot assure you that our unearned premiums, loss reserves and reinsurance will be adequate to cover these risks. In addition, because accounting rules do not permit insurers to reserve for catastrophic events until they occur, claims from catastrophic events could cause substantial volatility in our financial results for any fiscal quarter or year and could have a material adverse effect on our financial condition or results of operations. Our ability to write new business also could be adversely affected.

Our financial condition and results of operations also are affected periodically by losses caused by natural perils such as those described above that are not deemed a catastrophe. If a number of these events occur in a short time period, it may materially affect our financial condition and results of operations.

#### **Any downgrade in our A.M. Best rating could affect our ability to write new business or renew our existing business, which would lead to a decrease in revenue and net income.**

Third-party rating agencies, such as A.M. Best, periodically assess and rate the claims-paying ability of insurers based on criteria established by the rating agencies. Ratings assigned by A.M. Best are an important factor influencing the competitive position of insurance companies. A.M. Best ratings, which are reviewed at least annually, represent independent opinions of financial strength and ability to meet obligations to policyholders and are not directed toward the protection of investors. Therefore, our A.M. Best rating should not be relied upon as a basis for an investment decision to purchase our common stock.

Nodak Mutual holds a financial strength rating of "A" (Excellent) by A.M. Best, the third highest rating out of 15 rating classifications. Nodak Mutual has held an "A" rating for the past four years. Our most recent rating by A.M. Best was issued on February 29, 2016. Battle Creek also holds an "A" rating and American West holds a "B++" rating. Financial strength ratings are used by producers and customers as a means of assessing the financial strength and quality of insurers. If our financial position deteriorates, we may not maintain our favorable financial strength rating from A.M. Best. A downgrade of our rating could severely limit or prevent us from writing desirable business or from renewing our existing business. In addition, a downgrade could negatively affect our ability to implement our strategy because it could cause our current or potential producers to choose other more highly rated competitors or reduce our ability to obtain reinsurance. See "Business — A.M. Best Rating."

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### **A significant percentage of Nodak Mutual's written premiums and net profits are generated from its multi-peril crop insurance business, and the loss of such business as a result of a termination of or substantial changes to the Federal crop insurance program would have a material adverse effect on the revenues and income of Nodak Insurance Company.**

In 2015 and 2014, 24.9% and 27.6%, respectively, of Nodak Mutual's statutory net written premiums were generated from its multi-peril crop insurance line of business and 50.4% and 85.3% of Nodak Mutual's statutory net income were attributable to this line of business. Through the Federal Crop Insurance Corporation, the United States government subsidizes insurance companies by assuming an increasingly higher portion of losses incurred by farmers as a result of weather-related and other perils as well as commodity price fluctuations. The United States government also subsidizes the premium cost to farmers for multi-peril crop yield and revenue insurance. Without this risk assumption, losses incurred by insurance companies would be higher and without the premium subsidy, the number of farmers purchasing multi-peril crop insurance would decline significantly. Periodically, members of the United States Congress propose to significantly reduce the government's involvement in the federal crop insurance program in an effort to reduce government spending. If legislation is adopted to reduce the amount of risk the government assumes, the amount of insurance premium subsidy provided to farmers or otherwise reduce the coverage provided under multi-peril crop insurance policies, losses would increase and purchases of multi-peril crop insurance could experience a significant decline nationwide and in our market area. Such changes could have a material adverse effect on our revenues and income.

### **Our results may fluctuate as a result of many factors, including cyclical changes in the insurance industry.**

Results of companies in the insurance industry, and particularly the property and casualty insurance industry, historically have been subject to significant fluctuations and uncertainties and have fluctuated in cyclical periods of low premium rates and excess underwriting capacity resulting from increased competition (a so-called "soft market"), followed by periods of high premium rates and a shortage of underwriting capacity resulting from decreased competition (a so-called "hard market"). The industry's profitability can be affected significantly by:

- estimates of rising levels of actual costs that are not known by companies at the time they price their products;
- volatile and unpredictable developments, including man-made and natural catastrophes;
- changes in reserves resulting from the general claims and legal environments as different types of claims arise and judicial interpretations relating to the scope of insurers' liability develop; and
- fluctuations in interest rates, inflationary pressures and other changes in the investment environment, which affect returns on invested capital and may impact the ultimate payout of losses.

Fluctuations in underwriting capacity, demand and competition, and the impact on our business of the other factors identified above, could have a negative impact on our results of operations and financial condition. Based on our analysis of the underwriting capacity and price competition in the current market, we believe that we are neither in a "soft market" or "hard market" phase of the insurance industry cycle. If other insurers seek to expand the kinds or amounts of insurance coverage they offer, this could result in increased underwriting capacity and competition and declining pricing as some insurers seek to maintain market share at the expense of underwriting discipline.

### **Competition for potential acquisitions from other property and casualty insurers could increase the price that NI Holdings will be required to pay in connection with future acquisitions.**

Over-capacity in the property and casualty market has led other market participants to seek acquisitions in order to generate revenue growth. These market conditions may cause significant competition for acquisitions and increase the price for acquisitions. This competitive market could impede execution of NI Holdings' growth strategy.

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### **Integration of existing businesses and future acquisitions may require a significant investment of management's time and distract management from the day to day operations of NI Holdings' business.**

Nodak Mutual has spent considerable time and effort integrating Battle Creek Mutual Insurance Company and Primero Insurance Company in the areas of sales and marketing, operations, financial reporting, and employee benefits. Future acquisitions will require additional integration, particularly to realize the anticipated coordination designed to drive revenue growth and reduce costs. NI Holdings' executive management staff is small, and there can be no assurance that acquisitions will be successfully executed and integrated.

### **We may not be able to manage our growth effectively.**

We intend to grow our business in the future, which could require additional capital, systems development and skilled personnel. We cannot assure you that we will be able to locate profitable business opportunities, meet our capital needs, expand our systems and our internal controls effectively, allocate our human resources optimally, identify qualified employees or agents or incorporate effectively the components of any businesses we may acquire in our effort to achieve growth. The failure to manage our growth effectively and maintain underwriting discipline could have a material adverse effect on our business, financial condition and results of operations.

### **Our success depends on the ability of our insurance company subsidiaries to underwrite risks accurately and to price our commercial and personal lines insurance products accordingly.**

The nature of the insurance business is such that pricing must be determined before the underlying costs are fully known. This requires significant reliance on estimates and assumptions in setting prices. If our insurance subsidiaries fail to assess accurately the risks that they assume in our commercial and personal lines products, they may fail to charge adequate premium rates, which could impact our profitability and have a material adverse effect on our financial condition, results of operations or cash flows. Their ability to assess their policyholder risks and to price their products accurately is subject to a number of risks and uncertainties, including, but not limited to:

- Competition from other providers of property and casualty insurance;
- Price regulation by insurance regulatory authorities;
- Selection and implementation of appropriate rating formulae or other pricing methodologies;
- Availability of sufficient reliable data;
- Uncertainties inherent in estimates and assumptions generally;
- Adverse changes in claim results;
- Incorrect or incomplete analysis of available data;
- Our ability to predict policyholder retention, investment yields and the duration of liability for losses and loss adjustment expenses ("LAE") accurately; and
- Unanticipated effects of court decisions, legislation, or regulation, including those related to legal liability for damages by our insureds.

These risks and uncertainties could cause our insurance subsidiaries to underprice their policies, which would negatively affect their results of operations, or to overprice their policies, which could reduce their competitiveness. Either such event could have a material adverse effect on their financial condition, results of operations and cash flows.

Under the federal crop insurance program, each insurer is required to accept every application for multi-peril crop insurance that we receive, and the premiums and the policy terms are set by the Risk Management Administration, which is the federal government agency administering the federal crop insurance program. Accordingly, no policy underwriting is necessary in connection with our multi-peril crop insurance line of business. We, and several other crop insurers, rely on American Farm Bureau Insurance Services ("AFBIS") to underwrite our crop hail insurance line of business. Unlike the multi-peril crop business, however, we have the ability to decline to issue any policy if we believe the policy will expose us to too

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much risk in a particular geographic area or if we are unwilling to insure the crop that the policy would cover. If we accept the application for crop hail insurance, however, we could incur losses if AFBIS fails to adequately underwrite and price such coverage.

### **Our results and financial condition may be affected by a failure of our insurance subsidiaries to establish adequate loss and LAE reserves or by adverse development of prior year reserves.**

Nodak Mutual maintains reserves to cover amounts it estimates will be needed to pay for insured losses and for the expenses necessary to settle claims. Estimating loss and loss expense reserves is a difficult and complex process involving many variables and subjective judgments. Liability for losses and LAE (also referred to as loss and LAE reserves) is the largest liability of Nodak Mutual and represents the financial statement item most sensitive to estimation and judgment. In developing its estimates of losses and LAE, Nodak Mutual has evaluated and considered actuarial projection techniques based on its assessment of facts and circumstances then known, historical loss experience data and estimates of anticipated trends. This process assumes that past experience, adjusted for the effects of current developments, changes in operations and anticipated trends, constitutes an appropriate basis for predicting future events. While Nodak Mutual believes that its loss and LAE reserves are appropriate, to the extent that such reserves prove to be inadequate or excessive in the future, we would adjust them and incur a charge or credit to earnings, as the case may be, in the period the reserves are adjusted. Any such adjustment could have a material impact on our financial condition and results of operations. There can be no assurance that the estimates of such liabilities will not change in the future. For additional information on our loss and LAE reserves, see "Management's Discussion and Analysis of Financial Condition and Results of Operations.

### **We rely on our systems and employees, and those of certain third-party vendors and service providers in conducting our operations, and certain failures, including internal or external fraud, operational errors, systems malfunctions, or cyber-security incidents, could materially adversely affect our operations.**

We are exposed to many types of operational risk, including the risk of fraud by employees and outsiders, clerical and recordkeeping errors and computer or telecommunications systems malfunctions. Our business depends on our ability to process a large number of increasingly complex transactions. If any of our operational, accounting, or other data processing systems fail or have other significant shortcomings, we could be materially adversely affected. Similarly, we depend on our employees. We could be materially adversely affected if one or more of our employees cause a significant operational breakdown or failure, either as a result of human error or intentional sabotage or fraudulent manipulation of our operations or systems.

Third parties with whom we do business, including vendors that provide services or security solutions for our operations, could also be sources of operational and information security risk to us, including from breakdowns, failures, or capacity constraints of their own systems or employees. Any of these occurrences could diminish our ability to operate our business, or cause financial loss, potential liability to insureds, inability to secure insurance, reputational damage or regulatory intervention, which could materially adversely affect us.

We rely heavily on our operating systems in connection with issuing policies, paying claims, and providing the information we need to conduct our business. We also rely on the operating systems of American Farm Bureau Insurance Services, Inc. in connection with various processes with respect to our multi-peril crop line of business. We may be subject to disruptions of such operating systems arising from events that are wholly or partially beyond our control, which may include, for example, electrical or telecommunications outages, natural or man-made disasters, such as earthquakes, floods or tornados, or events arising from terrorist acts. Such disruptions may give rise to losses in service to insureds and loss or liability to us. In addition, there is the risk that our controls and procedures as well as our business continuity, disaster recovery and data security systems prove to be inadequate. The computer systems and network systems we and others use could be vulnerable to unforeseen problems. These problems may arise in both our internally developed systems and the systems of third-party service providers. In addition, our computer systems and network infrastructure present security risks and could be susceptible to hacking, computer viruses or data breaches. Any such failure could affect our operations and could materially adversely affect our results of operations by requiring us to expend significant resources to correct the defect, as well as by exposing us to



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litigation or losses not covered by insurance. Although we have business continuity plans and other safeguards in place, our business operations may be adversely affected by significant and widespread disruption to our physical infrastructure or operating systems and those of third-party service providers that support our business.

Our operations rely on the secure processing, transmission and storage of confidential information in our computer systems and networks. Our technologies, systems and networks may become the target of cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our or our insureds' confidential, proprietary and other information, or otherwise disrupt our or our insureds' or other third parties' business operations, which in turn may result in legal claims, regulatory scrutiny and liability, reputational damage, the incurrence of costs to eliminate or mitigate further exposure and the loss of customers. Although to date we have not experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that we will not suffer such losses in the future. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats and the outsourcing of some of our business operations. As a result, cyber-security and the continued development and enhancement of our controls, processes and practices designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber-threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities.

Disruptions or failures in the physical infrastructure or operating systems that support our business and customers, or cyber-attacks or security breaches of the networks, systems or devices that our customers use to access our products and services could result in customer attrition, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, any of which could materially adversely affect our financial condition or results of operations.

### **Our revenues and financial results may fluctuate with interest rates, investment results and developments in the securities markets.**

Nodak Mutual invests the premiums it receives from policyholders until cash is needed to pay insured claims or other expenses. Investment securities represent one of the largest categories of assets of Nodak Mutual. The fair value of its investment holdings is affected by general economic conditions and changes in the financial and credit markets. Nodak Mutual relies on the investment income produced by its investment portfolio to contribute to its profitability. Changes in interest rates and credit quality may result in fluctuations in the income derived from, the valuation of, and in the case of declines in credit quality, payment defaults on, our fixed-income securities. In addition, deteriorating economic conditions could impact the value of its equity securities. Such conditions could give rise to significant realized and unrealized investment losses or the impairment of securities deemed other-than-temporary. These changes could have a material adverse effect on our financial condition, results of operations or cash flows. The investment portfolio of Nodak Mutual is also subject to credit and cash flow risk, including risks associated with its investments in asset-backed and mortgage-backed securities. Because Nodak Mutual's investment portfolio is the largest component of its assets and a multiple of its policyholders' equity, adverse changes in economic conditions could result in other-than-temporary impairments that are material to our financial condition and operating results. Such economic changes could arise from overall changes in the financial markets or specific changes to industries, companies or municipalities in which we maintain investment holdings. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Quantitative and Qualitative Information about Market Risk."

### **Any acquisitions we make could disrupt our business and harm our financial condition or results of operations.**

As part of our growth strategy, we will continue to evaluate opportunities to acquire other property and casualty insurers and insurance-related fee income businesses. Acquisitions that we may make or implement in the future entail a number of risks that could materially adversely affect our business and operating results, including:

- Problems integrating the acquired operations with our existing business;

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- Operating and underwriting results of the acquired operations not meeting our expectations;
- Diversion of management’s time and attention from our existing business;
- Need for financial resources above our planned investment levels;
- Difficulties in retaining business relationships with agents and policyholders of the acquired company;
- Risks associated with entering markets in which we lack extensive prior experience;
- Tax issues associated with acquisitions;
- Acquisition-related disputes, including disputes over contingent consideration and escrows;
- Potential loss of key employees of the acquired company; and
- Potential impairment of related goodwill and intangible assets.

### **We could be adversely affected by the loss of our existing management or key employees.**

The success of our business is dependent, to a large extent, on our ability to attract and retain key employees, in particular our senior officers. Our business may be adversely affected if labor market conditions make it difficult for us to replace our current key officers with individuals having equivalent qualifications and experience at compensation levels competitive for our industry. In particular, because of the shortage of experienced underwriters and claims personnel who have experience or training in crop insurance, replacing key employees in that line of our business could be challenging. Our key officers include: Michael J. Alexander, our President and Chief Executive Officer, Brian R. Doom, our Vice President of Finance and Chief Financial Officer, Patrick W. Duncan, our Vice President of Operations, and William D. Thompson, our Vice President of Sales and Marketing. These key officers have an average of 27 years of experience in the property and casualty and crop insurance industry.

Our employment and other agreements with our key officers do not include covenants not to compete or non-solicitation provisions because they are unenforceable under North Dakota law. See “Management — Benefit Plans and Employment Agreements.”

### **Our ability to manage our exposure to underwriting risks depends on the availability and cost of reinsurance coverage.**

Reinsurance is the practice of transferring part of an insurance company’s liability and premium under an insurance policy to another insurance company. Nodak Mutual uses reinsurance arrangements to limit and manage the amount of risk it retains, to stabilize its underwriting results and to increase its underwriting capacity. The availability and cost of reinsurance are subject to current market conditions and may vary significantly over time. Any decrease in the amount of reinsurance maintained will increase our risk of loss. We may be unable to maintain our desired reinsurance coverage or to obtain other reinsurance coverage in adequate amounts and at favorable rates. If we are unable to renew the current coverage maintained by Nodak Mutual or obtain new coverage, it may be difficult for us to manage our underwriting risks and operate our business profitably.

### **If our reinsurers do not pay our claims in accordance with our reinsurance agreements, we may incur losses.**

We are subject to loss and credit risk with respect to the reinsurers with whom Nodak Mutual deals because buying reinsurance does not relieve us of our liability to policyholders. If such reinsurers are not capable of fulfilling their financial obligations to us, our insurance losses would increase. Nodak Mutual secures reinsurance coverage from a number of reinsurers. The lowest A.M. Best rating issued to any of such reinsurers is “A-” (Excellent), which is the fourth highest of fifteen ratings. See “Business — Reinsurance.”

### **If we fail to comply with insurance industry regulations, or if those regulations become more burdensome, we may not be able to operate profitably.**

Nodak Mutual and American West are currently regulated by the North Dakota Insurance Department. Battle Creek is regulated by the Nebraska Insurance Department, and Primero is regulated by the Nevada

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Insurance Department. All four companies are also subject to regulation, to a more limited extent, by the insurance departments of other states in which they do business. The failure to comply with the laws and regulations of each jurisdiction could subject NI Holdings to sanctions and fines, including the cancellation or suspension of its license. Because approximately 77.8% of our consolidated direct premiums written originate from business written in North Dakota, the cancellation or suspension of our license in North Dakota, as a result of any failure to comply with the applicable insurance laws and regulations, would result in the most severe impact on our financial condition and results of operations.

Most insurance regulations are designed to protect the interests of policyholders rather than shareholders and other investors. These regulations relate to, among other things:

- approval of policy forms and premium rates;
- standards of solvency, including establishing requirements for minimum capital and surplus, and for risk-based capital;
- classifying assets as admissible for purposes of determining solvency and compliance with minimum capital and surplus requirements;
- licensing of insurers and their producers;
- advertising and marketing practices;
- restrictions on the nature, quality and concentration of investments;
- assessments by guaranty associations and mandatory pooling arrangements;
- restrictions on the ability to pay dividends;
- restrictions on transactions between affiliated companies;
- restrictions on the size of risks insurable under a single policy;
- requiring deposits for the benefit of policyholders;
- requiring certain methods of accounting;
- periodic examinations of our operations and finances;
- claims practices;
- prescribing the form and content of reports of financial condition required to be filed; and
- requiring reserves for unearned premiums, losses and other purposes.

Insurance Departments also conduct periodic examinations of the affairs of insurance companies and requires the filing of annual and other reports relating to financial condition, holding company issues and other matters. These regulatory requirements may adversely affect or inhibit our ability to achieve some or all of our business objectives. The last examination of both Nodak Mutual and American West by the North Dakota Insurance Department was as of December 31, 2011. The last examination of Battle Creek by the Nebraska Insurance Department was as of December 31, 2011, and the last examination by the Nevada Insurance Department of Primero was as of December 31, 2012.

In addition, regulatory authorities have relatively broad discretion to deny or revoke licenses for various reasons, including the violation of regulations. Further, changes in the level of regulation of the insurance industry or changes in laws or regulations themselves or interpretations by regulatory authorities could adversely affect our ability to operate our business.

### **We could be adversely affected by any interruption to our ability to conduct business at our current location.**

Our business operations could be substantially interrupted by flooding, snow, ice, and other weather-related incidents, or from fire, power loss, telecommunications failures, terrorism, or other such events. In such an event, we may not have sufficient redundant facilities to cover a loss or failure in all aspects of our business operations and to restart our business operations in a timely manner. Any damage

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caused by such a failure or loss may cause interruptions in our business operations that may adversely affect our service levels and business. See “Business — Technology.”

### **Assessments and premium surcharges for state guaranty funds and other mandatory pooling arrangements may reduce our profitability.**

Most states require insurance companies authorized to do business in their state to participate in guaranty funds, which require the insurance companies to bear a portion of the unfunded obligations of impaired, insolvent or failed insurance companies. These obligations are funded by assessments, which are expected to continue in the future. State guaranty associations levy assessments, up to prescribed limits, on all insurance companies doing business in the state based on their proportionate share of premiums written in the lines of business in which the impaired, insolvent or failed insurance companies are engaged. Accordingly, the assessments levied on us may increase as we increase our written premiums. See “Business — Regulation.”

In addition, as a condition to conducting business in some states, insurance companies are required to participate in residual market programs to provide insurance to those who cannot procure coverage from an insurance carrier on a negotiated basis. Insurance companies generally can fulfill their residual market obligations by, among other things, participating in a reinsurance pool where the results of all policies provided through the pool are shared by the participating insurance companies. Although we price our insurance to account for our potential obligations under these pooling arrangements, we may not be able to accurately estimate our liability for these obligations. Accordingly, mandatory pooling arrangements may cause a decrease in our profits. As we write policies in new states that have mandatory pooling arrangements, we will be required to participate in additional pooling arrangements. Further, the impairment, insolvency or failure of other insurance companies in these pooling arrangements would likely increase the liability for other members in the pool. The effect of assessments and premium surcharges or increases in such assessments or surcharges could reduce our profitability in any given period or limit our ability to grow our business. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

### **Future changes in financial accounting standards or practices or existing tax laws may adversely affect our reported results of operations.**

Financial accounting standards in the United States are constantly under review and may be changed from time to time. We would be required to apply these changes when adopted. Once implemented, these changes could materially affect our financial condition and results of operations and/or the way in which such financial condition and results of operations are reported. Similarly, we will be subject to taxation in the United States and a number of state jurisdictions. Rates of taxation, definitions of income, exclusions from income, and other tax policies are subject to change over time.

### **We face uncertainties related to the effectiveness of internal controls, particularly with regard to our operating subsidiaries’ financial reporting controls and information technology security.**

It should be noted that any system of internal controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any internal control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of internal control systems, there can be no assurance that any design will achieve its stated goal under all potential future conditions, regardless of how remote. Deficiencies or weaknesses that are not yet identified could emerge, and the identification and correction of these deficiencies or weaknesses could have a material impact on our results of operations.

We will be required to publicly report on deficiencies or weaknesses in our internal controls that meet a materiality standard as required by law. Management may, at a point in time, categorize a deficiency or weakness as immaterial or minor and therefore not be required to publicly report such deficiency or weakness. Such determination, however, does not preclude a change in circumstances such that the deficiency or weakness could, at a later time, become a reportable condition that could have a material impact on our results of operations.

***Risk Factors Relating to the Ownership of Our Common Stock***

**If we do not obtain approval to list on the Nasdaq Capital Market, the price and liquidity of our stock may be adversely affected.**

We have applied for listing on the Nasdaq Capital Market. In order to list, we must meet certain minimum requirements for our shareholders' equity, net income, the market value and number of publicly held shares, the number of shareholders, and the market price of our stock. In addition, to initially list, we must have at least three market makers agree to make a market in our stock. Even if we are approved, an active trading market may not develop and similar minimum criteria is required for continued listing on the Nasdaq Capital Market, including having up to four market makers making a market in our stock under certain continued listing standards. The failure to receive approval to list or a subsequent delisting from the Nasdaq Capital Market may adversely affect the market price for our stock and reduce the liquidity of our common stock, and therefore, make it more difficult for you to sell our stock.

**Our return on equity will initially be low compared to other insurance companies. A low return could lower the trading price of our common stock.**

Net income divided by average equity, known as "return on equity," is a ratio many investors use to compare the performance of an insurance company to its peers. Our return on equity is expected to be reduced due to the large amount of capital that we expect to raise in the offering and to expenses we will incur in pursuing our growth strategies, the costs of being a public company and added expenses associated with our employee stock ownership plan and planned equity incentive plan. Until we can increase our earned premiums and net income, we expect our return on equity to be below the median return on equity for publicly traded insurance companies, which may negatively affect the value of our common stock.

**Additional expenses following the offering from new stock-based benefit plans will adversely affect our profitability.**

Subject to approval by our shareholders no earlier than six months after completion of the conversion, we intend to adopt an equity incentive plan. Under the proposed equity incentive plan, we may award participants restricted shares of our common stock or options to purchase shares of our common stock. Restricted stock awards will be made at no cost to the participants. The number of shares of common stock that may be issued pursuant to restricted stock awards and the number of shares issuable upon exercise of stock option awards under the plan has not been determined by our board of directors.

The additional compensation expense resulting from the ESOP and the proposed equity incentive plan will adversely affect our profitability. We cannot determine the actual amount of these new stock-related compensation and benefit expenses at this time because applicable accounting practices require that they be based on the fair market value of the shares of common stock at specific points in the future; however, we expect them to be material. We will recognize expenses for our employee stock ownership plan when shares are committed to be released to participants' accounts and will recognize expenses for restricted stock awards and stock options over the vesting period of awards made to recipients. These benefit expenses in the first year following the offering have been estimated to be approximately \$100,000 at the maximum of the offering range as set forth in the pro forma financial information under "Pro Forma Data" assuming the \$10.00 per share purchase price as fair market value. Actual expenses, however, may be higher or lower, depending on the price of our common stock. For further discussion of these plans, see "Our Management — Benefit Plans."

**We have broad discretion in allocating the proceeds of the offering. Our failure to utilize effectively the net proceeds we receive would reduce our profitability.**

We intend retain all of the net proceeds of the offering at NI Holdings, except for any proceeds that we are required by the North Dakota Insurance Department to contribute to Nodak Insurance Company. We may use the remaining net proceeds to pay dividends to shareholders, repurchase common stock, invest in securities, finance the acquisition of other property and casualty insurance companies or insurance-related fee businesses, or for other general corporate purposes. Nodak Insurance Company may use any proceeds it receives to provide the capital required to grow its premiums or agency relationships, acquire other property

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and casualty insurance companies or insurance-related fee businesses, or for general corporate purposes. We have not allocated specific amounts of proceeds for any of these purposes, and we will have significant flexibility in determining how much of the net proceeds we apply to different uses and the timing of such applications. Our failure to utilize these funds effectively would reduce our profitability.

### **Issuance of shares for benefit programs may dilute your ownership interest.**

We intend to adopt an equity incentive plan following the conversion, which will require the approval of our shareholders. If shareholders approve the new equity incentive plan, we intend to issue shares to our directors and certain officers through this plan. If the restricted stock awards under the equity incentive plan and the shares issuable upon the exercise of stock options granted under the plan are funded from authorized but unissued stock, your ownership interest in the shares issued to persons other than Nodak Mutual Group would be diluted. See “Pro Forma Data” and “Our Management — Benefit Plans.”

### **Nodak Mutual Group’s majority control of our common stock will enable it to exercise voting control over most matters put to a vote of shareholders and will prevent shareholders from forcing a sale or a second-step conversion transaction you may find advantageous.**

Nodak Mutual Group will own a majority of our outstanding common stock after the offering and, through its board of directors, will be able to exercise voting control over most matters put to a vote of shareholders. The votes cast by Nodak Mutual Group may not be in your personal best interests as a shareholder. For example, Nodak Mutual Group may exercise its voting control to defeat a shareholder nominee for election to the board of directors of NI Holdings. Moreover, Nodak Mutual Group’s ability to elect the board of directors of NI Holdings restricts the ability of the minority shareholders of NI Holdings to effect a change of control of management. In addition, shareholders will not be able to force a merger or second-step conversion transaction without the consent of Nodak Mutual Group as such transactions will require the approval of at least a majority of the board of directors of NI Holdings. Some shareholders may desire a sale or merger transaction, since shareholders typically receive a premium for their shares, or a second-step conversion transaction, since fully converted institutions tend to trade at higher multiples than mutual holding companies.

### **Our stock price may decline when trading commences.**

If you purchase shares in the offering, you may not be able to sell them at or above the \$10.00 purchase price. After the shares of our common stock begin trading, the trading price of the common stock will be determined by the marketplace, and will be influenced by many factors outside of our control, including prevailing interest rates, investor perceptions and general industry, geopolitical and economic conditions. Publicly traded stocks, including stocks of financial institutions, often experience substantial market price volatility. These market fluctuations might not be related to the operating performance of particular companies whose shares are traded.

### **There may be a limited market for our common stock, which may adversely affect our stock price.**

Although we intend to have our stock quoted on the Nasdaq Capital Market, there is no guarantee that the shares will be actively traded. If an active trading market for our common stock does not develop, you may not be able to sell all of your shares of common stock on short notice and the sale of a large number of shares at one time could depress the market price. There also may be a wide spread between the bid and asked price for our common stock. When there is a wide spread between the bid and asked price, the price at which you may be able to sell our common stock may be significantly lower than the price at which you could buy it at that time.

### **The valuation of our common stock in the offering is not necessarily indicative of the future price of our common stock, and the price of our common stock may decline after this offering.**

There can be no assurance that shares of our common stock will be able to be sold in the market at or above the \$10.00 per share initial offering price in the future. The final aggregate purchase price of our common stock in the offering will be based upon an independent appraisal. The appraisal is not intended, and should not be construed, as a recommendation of any kind as to the advisability of purchasing shares of

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common stock. The valuation is based on estimates and projections of a number of matters, all of which are subject to change from time to time. See “The Conversion and Offering — The Valuation” for the factors considered by Feldman Financial in determining the appraisal.

The price of shares of our common stock may decline for many reasons, some of which are beyond our control, including among others:

- quarterly variations in our results of operations;
- announcements by third parties of claims against us;
- changes in law and regulation;
- results of operations that vary from those expected by investors; and
- future sales of shares of our common stock.

### **The trading price of our shares may be volatile.**

There tends to be significant volatility in the market for equity securities generally. The trading price of our shares may not remain at or exceed current levels. The following factors, in addition to those described in other risk factors, may have an adverse impact on the trading price of our shares:

- actual or anticipated variations in our quarterly results, including per share results, of operations;
- the level of our share repurchases and the effect of such repurchases on our per share financial data;
- changes in market valuations of companies in the property casualty insurance industry;
- fluctuations in stock market prices and trading volumes;
- our relatively small market capitalization and the relatively low trading volume of our shares; and
- announcements by us or our competitors of acquisitions or strategic alliances.

### **Our status as an insurance holding company with no direct operations could adversely affect our ability to fund operations, conduct future share repurchases, or meet our debt obligations.**

We are an insurance holding company. A significant source of funds available to us for the payment of operating expenses, share repurchases and debt-related amounts are net proceeds of the offering retained at the holding company, management fees and dividends from our subsidiaries. The payment of dividends by Nodak Insurance Company will be restricted by North Dakota’s insurance law. American West and Primero historically have not paid dividends to Nodak Mutual.

### **Statutory provisions and provisions of our articles and bylaws may discourage takeover attempts of NI Holdings that you may believe are in your best interests or that might result in a substantial profit to you.**

We are subject to provisions of North Dakota corporate and insurance law that hinder a change of control. North Dakota law requires the North Dakota Insurance Department’s prior approval of a change of control of an insurance holding company. Under North Dakota law, the acquisition of 10% or more of the outstanding voting stock of an insurer or its holding company is presumed to be a change in control. Approval by the North Dakota Insurance Department may be withheld even if the transaction would be in the shareholders’ best interest if the North Dakota Insurance Department determines that the transaction would be detrimental to policyholders.

Our articles of incorporation and bylaws also contain provisions that may discourage a change in control. These provisions include:

- A prohibition on a person, including a group acting in concert, other than Nodak Mutual Group, from acquiring voting control of more than 10% of our outstanding stock without prior approval of our board of directors;
- A classified board of directors divided into three classes serving for successive terms of three years each;

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- The prohibition of cumulative voting in the election of directors;
- The requirement that nominations for the election of directors made by shareholders and any shareholder proposals for inclusion on the agenda at any shareholders' meeting must be made by notice (in writing) delivered or mailed to us not less than 90 days prior to the meeting;
- The prohibition of shareholders' action without a meeting (except for actions taken by Nodak Mutual Group) and of shareholders' right to call a special meeting;
- The requirement imposing a mandatory tender offer requirement on a shareholder other than Nodak Mutual Group that has a combined voting power of 35% or more of the votes that our shareholders are entitled to cast, unless acquisition of such voting power by such shareholder was approved by our board of directors;
- The requirement that the foregoing provisions of our articles of incorporation can only be amended by an affirmative vote of shareholders entitled to cast at least 80% of all votes that shareholder are entitled to cast, unless approved by an affirmative vote of at least 80% of the members of the board of directors; and
- The requirement that certain provisions of our bylaws can only be amended by an affirmative vote of shareholders entitled to cast at least 66 2/3%, or in certain cases 80%, of all votes that shareholders are entitled to cast.

These provisions may serve to entrench management and may discourage a takeover attempt that you may consider to be in your best interest or in which you would receive a substantial premium over the current market price. These provisions may make it extremely difficult for any one person, entity or group of affiliated persons or entities to acquire voting control of NI Holdings, with the result that it may be extremely difficult to bring about a change in the board of directors or management. Some of these provisions also may perpetuate present management because of the additional time required to cause a change in the control of the board. Other provisions make it difficult for shareholders owning less than a majority of the voting stock to be able to elect even a single director. See "Description of Our Capital Stock."

### **Ownership of a majority of our stock by the Mutual Holding Company will make removal of the management difficult.**

After completion of the conversion, the Mutual Holding Company will own 55% of our outstanding capital stock. Therefore, it will have the power to take actions that nonaffiliated shareholders may deem to be contrary to the shareholders' best interests. In addition, certain provisions of our articles of incorporation, such as the existence of a classified board of directors, the prohibition of cumulative voting for the election of directors, and the prohibition on any person or group acquiring and having the right to vote in excess of 10% of our outstanding stock without the prior approval of the board of directors will make removal of NI Holdings' management difficult.

### **Any person redeeming subscription rights will have taxable income equal to the fair market value of the subscription rights granted to them in excess of any tax basis in the membership rights exchanged for such subscription rights.**

The United States federal income tax consequences of the receipt, exercise or redemption of the subscription rights granted to eligible members of Nodak, the ESOP, and the directors, officers and employees of Nodak Mutual are uncertain. We intend to take the position that, for U.S. federal income tax purposes, eligible members will be treated as transferring their membership rights in Nodak Mutual to NI Holdings in exchange for subscription rights to purchase Company common stock, and that any gain realized by an eligible member as a result of the receipt of a subscription right that is determined to have ascertainable fair market value on the date of such deemed exchange must be recognized and included in such eligible member's gross income for federal income tax purposes. As described below, because whether or not the subscription rights will have value to a particular eligible member will not be known until the determination is made whether the subscription right will be redeemed or exercised with respect to the eligible member, we believe that income should not be recognized for federal income tax purposes until the date the conversion becomes effective.



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Feldman Financial has advised us that it believes the value of each subscription right is \$0.67 based upon the methodology required by the North Dakota conversion statute. Such value will be used to determine the amount to be paid to any eligible member who elects or is deemed to elect to have such subscription rights redeemed, and any eligible member who receives cash in redemption of such eligible member's subscription rights should use such value to determine the member's taxable gain upon redemption of the subscription rights. An eligible member who elects to exercise the subscription rights will not receive any cash payment for such subscription rights, and will not receive any reduction in the amount such eligible member will be required to pay for shares of Company common stock upon exercise of the subscription rights, but shall pay the same amount per share of common stock as other persons who purchase shares of Company common stock in the offering. It thus appears that subscription rights received by an eligible member who exercises the subscription rights to purchase common stock will not have any ascertainable fair market value with respect to that eligible member. However, the Internal Revenue Service could disagree with that conclusion and assert that subscription rights received by an eligible member who elects to exercise such subscription rights do have a value that must be used by such eligible member to determine taxable gain on receipt of the subscription rights. Furthermore, the Internal Revenue Service takes the position that the tax basis of membership rights is zero, but there is a conflict of authority on that issue. Therefore, you should consult your tax advisors with respect to the potential tax consequences to you of the receipt, exercise and expiration of subscription rights.

For more information see "Federal Income Tax Considerations — Tax Consequences of Subscription Rights" and "Federal Income Tax Considerations — Recent Tax Developments."

### **If our subsidiaries are not sufficiently profitable, our ability to pay dividends will be limited.**

Following the conversion, we will be a separate entity with no operations of our own other than holding the stock of Nodak Insurance Company and our other subsidiaries. We will depend primarily on dividends paid by Nodak Insurance Company and any proceeds from the offering that are not contributed to Nodak Insurance Company to carry out our business plan, including future acquisitions, and to provide funds for the payment of dividends. We will receive dividends from Nodak Insurance Company only after all of Nodak Insurance Company's obligations and regulatory requirements with the North Dakota Insurance Department have been satisfied. North Dakota law sets the maximum amount of dividends that may be paid by Nodak Insurance Company during any twelve-month period after notice to, but without prior approval of, the North Dakota Insurance Department. This amount cannot exceed the lesser of (i) 10% of the insurance company's surplus as regards policyholders as of the preceding December 31, or (ii) the insurance company's statutory net income for the preceding calendar year (excluding realized capital gains), less any prior dividends paid during such twelve-month period. In addition, any insurance company other than a life insurance company may carry forward net income from the preceding two calendar years, not including realized capital gains, less any dividends actually paid during those two calendar years. If Nodak Insurance Company and our other subsidiaries are not sufficiently profitable, our ability to pay dividends to you in the future will be limited.

### **Compliance with the requirements of the Securities Exchange Act and the Sarbanes-Oxley Act could result in higher operating costs and adversely affect our results of operations.**

When the offering is completed, we will be subject to the periodic reporting, proxy solicitation, insider trading and other obligations imposed under the Securities Exchange Act. In addition, certain provisions of the Sarbanes-Oxley Act will immediately become applicable to us. The federal securities laws and the regulations of the Securities and Exchange Commission require that we maintain effective disclosure controls and procedures and internal controls over financial reporting. We may need to engage third-party consultants to assist us in implementing the necessary procedures to comply with these requirements.

Compliance with these requirements will increase our legal and accounting costs and the cost of directors and officer's liability insurance, and will require management to devote substantial time and effort to ensure initial and ongoing compliance with these obligations. A key component of compliance under the Securities Exchange Act is to produce quarterly and annual financial reports within prescribed time periods after the close of our fiscal year and each fiscal quarter. Historically, we have not been required to prepare such financial reports within these time periods. Failure to satisfy these reporting requirements may result in delisting of our common stock by the Nasdaq Capital Market, and inquiries from or sanctions by the

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U.S. Securities and Exchange Commission (SEC). These expenses as well as the additional management time and attention needed to comply with these requirements may have a material adverse effect on our financial condition and results of operations.

### **The North Dakota statute authorizing the conversion of Nodak Mutual was adopted in April 2015, and legal challenges to the law could lead to a significant delay in completion of the conversions and increase the legal and other costs related to the conversions.**

The legislation pursuant to which Nodak Mutual will convert to stock form was enacted in April 2015. Therefore, to NI Holdings' knowledge, the conversion of a North Dakota mutual insurance company to stock form has never occurred. Pennsylvania has had an analogous statute for approximately twenty years that provides for the conversion of a mutual insurance company to a stock company. When that statute was first used in a transaction, it was challenged in court on constitutional grounds. Although the challenge was ultimately unsuccessful, the challenge did cause the conversion to be delayed and resulted in substantial additional cost. That transaction was eventually completed and a number of subsequent transactions have been completed using the mutual to stock conversion statute in Pennsylvania and other states. No assurance can be given that a similar challenge to this new statute will not be raised, which could result in a significant delay in the completion of the conversions and increase the legal and other costs related to the conversions. In addition, the conversion of Nodak Mutual will be a case of first impression for the North Dakota Insurance Department. As such, receipt of approval of the conversions may take longer and be more costly than anticipated.

### **Because Stevens & Lee is acting as legal counsel to us and is an affiliate of Griffin Financial, a conflict of interest exists which may adversely affect us.**

Stevens & Lee is acting as our counsel in connection with this transaction. Griffin Financial, an affiliate of Stevens & Lee, is acting as our best efforts placement agent in connection with this transaction. Accordingly, conflicts of interest may arise because Stevens & Lee is acting as counsel to us and is an affiliate of Griffin Financial. This could cause Stevens & Lee to provide advice in the best interests of Griffin Financial rather than providing advice that is in our best interests.

### **We are an "emerging growth company" and have elected in this prospectus, and may elect in future SEC filings, to comply with reduced public company reporting requirements, which could make our common stock less attractive to investors.**

We are an "emerging growth company," as defined by the JOBS Act. For as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various public company reporting requirements. These exemptions include, but are not limited to, (i) not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, (ii) reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements and registration statements, and (iii) exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. In this prospectus, we have elected to take advantage of certain of the reduced disclosure obligations regarding financial statements and executive compensation. In addition, Section 107(b) of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We are choosing to "opt in" to such extended transition period election under Section 107(b). Therefore, we are electing to delay adoption of new or revised accounting standards, and as a result, we may choose to not comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. As a result of such election, our financial statements may not be comparable to the financial statements of other public companies.

We could be an emerging growth company for up to five years after the first sale of our common equity securities pursuant to an effective registration statement under the Securities Act, which such fifth anniversary will occur in 2021. However, if certain events occur prior to the end of such five-year period, including if we

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become a “large accelerated filer,” our annual gross revenues exceed \$1.0 billion or we issue more than \$1.0 billion of non-convertible debt in any three-year period, we would cease to be an emerging growth company prior to the end of such five-year period. We have taken advantage of certain of the reduced disclosure obligations regarding executive compensation in this prospectus and may elect to take advantage of other reduced burdens in future filings. As a result, the information that we provide to holders of our common stock may be different than you might receive from other public reporting companies in which you hold equity interests. We cannot predict if investors will find our common stock less attractive as a result of our reliance on these exemptions. If some investors find our common stock less attractive as a result of any choice we make to reduce disclosure, there may be a less active trading market for our common stock and the price for our common stock may be more volatile.

Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to avail ourselves of this extended transition period for complying with new or revised accounting standards and, therefore, we will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. See “Prospectus Summary — Implications of Being an Emerging Growth Company.”

## FORWARD-LOOKING INFORMATION

This document contains forward-looking statements, which can be identified by the use of such words as “estimate,” “project,” “believe,” “could,” “may,” “intend,” “anticipate,” “plan,” “may,” “seek,” “expect” and similar expressions. These forward-looking statements include:

- statements of goals, intentions and expectations;
- statements regarding prospects and business strategy; and
- estimates of future costs, benefits and results.

The forward-looking statements are subject to numerous assumptions, risks and uncertainties, including, among other things, the factors discussed under the heading “Risk Factors” that could affect the actual outcome of future events.

All of these factors are difficult to predict and many are beyond our control. These important factors include those discussed under “Risk Factors” and those listed below:

- material changes to the federal crop insurance program;
- the potential impact of fraud, operational errors, systems malfunctions, or cybersecurity incidents;
- future economic conditions in the markets in which we compete that are less favorable than expected;
- the effect of legislative, judicial, economic, demographic and regulatory events in the jurisdictions where we do business;
- our ability to enter new markets successfully and capitalize on growth opportunities either through acquisitions or the expansion of our producer network;
- financial market conditions, including, but not limited to, changes in interest rates and the stock markets causing a reduction of investment income or investment gains and a reduction in the value of our investment portfolio;
- heightened competition, including specifically the intensification of price competition, the entry of new competitors and the development of new products by new or existing competitors, resulting in a reduction in the demand for our products;
- changes in general economic conditions, including inflation, unemployment, interest rates and other factors;
- estimates and adequacy of loss reserves and trends in loss and loss adjustment expenses;
- changes in the coverage terms required by state laws with respect to minimum auto liability insurance, including higher minimum limits;
- our inability to obtain regulatory approval of, or to implement, premium rate increases;
- our ability to obtain reinsurance coverage at reasonable prices or on terms that adequately protect us and to collect amounts that we believe we are entitled to under such reinsurance;
- the potential impact on our reported net income that could result from the adoption of future accounting standards issued by the Public Company Accounting Oversight Board or the Financial Accounting Standards Board or other standard-setting bodies;
- unanticipated changes in industry trends and ratings assigned by nationally recognized rating organizations;

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- adverse litigation or arbitration results; and
- adverse changes in applicable laws, regulations or rules governing insurance holding companies and insurance companies, and tax or accounting matters including limitations on premium levels, increases in minimum capital and reserves, and other financial viability requirements, and changes that affect the cost of, or demand for our products.

Because forward-looking information is subject to various risks and uncertainties, actual results may differ materially from that expressed or implied by the forward-looking information.

**SELECTED FINANCIAL AND OTHER DATA**

The following table sets forth selected consolidated financial data for Nodak Mutual Insurance Company prior to the offering. You should read this data in conjunction with Nodak Mutual’s consolidated financial statements and accompanying notes, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and other financial information included elsewhere in this prospectus. The balance sheet data at December 31, 2015 and 2014 and the statement of operations data for the years ended December 31, 2015 and 2014 are derived from Nodak Mutual’s audited consolidated financial statements beginning on page F-2. The balance sheet data at June 30, 2016 and 2015 and the statement of operations data for the six months ended June 30, 2016 and 2015 are derived from Nodak Mutual’s unaudited consolidated financial statements beginning at page F-0.

Nodak Mutual evaluates its operations by monitoring certain key measures of growth and profitability. In addition to GAAP measures, Nodak Mutual utilizes certain non-GAAP financial measures that it believes are valuable in managing its business and for providing comparisons to its peers.

These historical results are not necessarily indicative of future results, and the results for any interim period are not necessarily indicative of the results that may be expected for a full year.

	<u>At or for the</u> <u>six months ended June 30,</u>		<u>At or for the</u> <u>years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>	<u>2015</u>	<u>2014</u>
	(Dollars in thousands)		(Dollars in thousands)	
	(unaudited)	(unaudited)		
<b>Statement of Operations Data:</b>				
Direct premiums written	\$ 91,824	\$ 84,488	\$ 172,775	\$ 156,035
Net premiums written	88,122	77,742	143,065	134,192
Net premiums earned	67,251	58,922	139,473	131,947
Investment income, net of expenses	2,315	2,086	4,184	4,133
Net realized gain on investments	219	728	823	1,073
Other revenue	812	844	1,854	615
Total revenue	<u>\$ 70,597</u>	<u>\$ 62,580</u>	<u>\$ 146,334</u>	<u>\$ 137,768</u>
<b>Expenses:</b>				
Losses and loss adjustment expenses	\$ 42,585	\$ 37,601	\$ 83,876	\$ 89,306
Amortization of deferred policy acquisition costs	10,234	10,900	18,621	16,523
Other underwriting and general expenses	10,742	7,990	17,964	11,731
Total expenses	<u>\$ 63,561</u>	<u>\$ 56,491</u>	<u>\$ 120,461</u>	<u>\$ 117,560</u>
Income, before income taxes	\$ 7,036	\$ 6,089	\$ 25,873	\$ 20,208
Income tax expense	2,636	1,844	8,288	6,396
Net income before noncontrolling interest	\$ 4,400	\$ 4,245	\$ 17,585	\$ 13,812
Net income attributable to noncontrolling interest	52	(122)	(129)	(38)
Net income	<u>\$ 4,452</u>	<u>\$ 4,123</u>	<u>\$ 17,456</u>	<u>\$ 13,774</u>

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	At or for the six months ended June 30,		At or for the years ended December 31,	
	2016	2015	2015	2014
	(Dollars in thousands) (unaudited)		(Dollars in thousands)	
<b>Balance Sheet Data (at period end)</b>				
Total investments, cash and cash equivalents	\$ 211,101	\$ 191,207	\$ 197,793	\$ 186,181
Premiums and other receivables	30,446	27,906	20,039	17,538
Reinsurance receivable	21,348	11,836	5,271	7,124
Deferred acquisition costs	10,577	9,511	8,444	7,240
Accrued investment income	1,421	1,256	1,364	1,195
Property and equipment	4,754	4,864	4,712	4,706
Receivable from Federal Crop Insurance Co.	18,892	14,815	14,002	17,028
Other assets	21,361	19,014	4,371	3,575
Goodwill and other intangibles	2,628	2,628	2,628	2,628
Total Assets	<u>\$322,528</u>	<u>\$283,037</u>	<u>\$ 258,624</u>	<u>\$ 247,215</u>
Reserve for losses and loss adjustment expenses	\$ 67,121	\$ 59,684	\$ 45,342	\$ 50,518
Unearned and advance premiums	74,358	68,718	53,487	49,895
Other liabilities	17,025	12,390	6,356	6,083
Deferred taxes payable	6,195	5,202	3,521	5,027
Total Liabilities	<u>\$164,699</u>	<u>\$145,994</u>	<u>\$ 108,706</u>	<u>\$ 111,523</u>
Equity	157,829	137,043	149,918	135,692
Total Liabilities and equity	<u>\$322,528</u>	<u>\$283,037</u>	<u>\$ 258,624</u>	<u>\$ 247,215</u>
<b>Non-GAAP Ratios:</b>				
Loss and loss adjustment expense ratio <sup>(1)</sup>	63.3%	63.8%	60.1%	67.7%
Expense ratio <sup>(2)</sup>	31.2%	32.1%	26.2%	21.4%
Combined ratio <sup>(3)</sup>	94.5%	95.9%	86.4%	89.1%
Return on average equity <sup>(4)</sup>	3.8%	4.0%	8.0%	7.1%
<b>Statutory Data:</b>				
Statutory surplus	\$ 145,417	\$ 129,634	\$ 141,331	\$ 127,019
Ratio of net premiums written to statutory surplus <sup>(4)</sup>	112.3%	112.5%	101.2%	112.6%

(1) Calculated by dividing loss and loss adjustment expenses by net premiums earned.

(2) Calculated by dividing amortization of deferred policy acquisition costs and net underwriting and administrative expenses by net premiums earned.

(3) The sum of the loss and loss adjustment expense ratio and the underwriting expense ratio. A combined ratio of less than 100% means a company is making an underwriting profit.

(4) Annualized.

## USE OF PROCEEDS

Although the actual proceeds from the sale of our common stock cannot be determined until the offering is complete, we currently anticipate that the gross proceeds from the sale of our common stock will be between \$76,500,000 at the minimum and \$103,500,000 at the maximum of the offering range. We expect net proceeds from this offering to be between \$73.1 million and \$99.6 million, after payment of our offering expenses and the expenses of the conversion. The table below assumes there is no syndicated offering. If a portion of the shares are sold in a syndicated offering, net proceeds will be reduced because we will pay a higher commission in the syndicated offering than on shares sold in the subscription and community offering. See “The Conversion and the Offering — Marketing and Underwriting Arrangements.” These net proceeds will be further reduced by the amount paid to eligible members to redeem their subscription rights. See “Unaudited Pro Forma Financial Information — Additional Pro Forma Data” and “The Conversion and Offering — The Valuation” as to the assumptions used to arrive at such amounts. We expect to use the net proceeds from the offering as follows:

### Net Proceeds

Gross proceeds	\$76,500,000	\$103,500,000
Conversion and offering expenses	1,750,000	1,750,000
Estimated selling agent fees and expenses	1,630,000	2,170,000
Net proceeds	<u>\$73,120,000</u>	<u>\$ 99,580,000</u>

### Use of Net Proceeds

Redemption of subscription rights	\$ 5,427,000	\$ 5,427,000
General corporate purposes	67,693,000	94,153,000
Total	<u>\$73,120,000</u>	<u>\$ 99,580,000</u>

After payment of our conversion and offering expenses and selling agent fees and expenses, we will use a portion of the net proceeds from the sale of shares of our common stock in the conversion offering to redeem subscription rights of eligible members who do not exercise their subscription rights.

The value of a subscription right has been determined by Feldman Financial to be \$0.67. The number of subscription rights that will be redeemed is uncertain. Solely for purposes of the table above we have assumed that 90% of eligible members will elect to redeem their subscription rights rather than exercise them. The number of subscription rights granted under the plan is defined to be the midpoint of the appraisal range of \$90,000,000, divided by the \$10 per share offering price, or 9,000,000 subscription rights. Subscription rights are allocated on a per capita basis under the plan, and therefore all eligible members have the same number of subscription rights. If 90% of eligible members elect to redeem their subscription rights for cash, then 8,100,000 subscription rights will be redeemed and we will use \$5,427,000 of the net proceeds to fund our redemption obligation under the plan. No assurance can be given that the amount of subscription rights we are required to redeem will not be greater or less than such amount, although the maximum amount we could be obligated to pay to eligible members to fund our redemption obligation is \$6,030,000 if all subscription rights were redeemed.

We currently do not intend to contribute any of the net proceeds from the offering to Nodak Insurance Company, but we may be required by the North Dakota Insurance Department to contribute a portion of the net proceeds of the offering to Nodak Insurance Company.

On a short-term basis, the net proceeds retained by us and any net proceeds contributed to Nodak Insurance Company will be invested primarily in U.S. government securities, other federal agency securities, and other securities consistent with our investment policy. The Company’s current intent is to use any net proceeds not contributed to Nodak Insurance Company to acquire other property and casualty insurance companies or other fee-based insurance businesses such as insurance agencies and for general corporate purposes, which may include payment of cash dividends and repurchases of our common stock. See “Description of Our Business — Acquisition Strategy.” See “Prospectus Summary — NI Holdings, Inc.” and “Prospectus Summary — Our Market, Strategies and Offering Rationale.”

Except as described above, we currently have no specific plans, arrangements or understandings regarding the use of the net proceeds from this offering.



## **MARKET FOR OUR COMMON STOCK**

We intend to list our common stock for trading on the Nasdaq Capital Market under the symbol “NODK,” and we have applied for listing, subject to the completion of the offering.

We have never issued any capital stock to the public. Consequently, there is no established market for our common stock. The development of a public market having the desirable characteristics of depth, liquidity and orderliness depends upon the presence in the marketplace of a sufficient number of willing buyers and sellers at any given time. Neither we nor any market maker has any control over the development of such a public market. Although we have applied to have our stock listed on the Nasdaq Capital Market, an active trading market may not develop.

One of the requirements for initial listing of the common stock on the Nasdaq Capital Market is that there are at least three market makers for the common stock. Griffin Financial intends to become a market maker in our common stock following the offering, but is under no obligation to do so. We cannot assure you that there will be three or more market makers for our common stock. Furthermore, we cannot assure you that you will be able to resell your shares of common stock for a price at or above \$10.00 per share, or that approval for listing on the Nasdaq Capital Market will be granted, as contemplated.

## DIVIDEND POLICY

Following the conversion, our board of directors intends to adopt a policy of paying regular cash dividends, but has not decided the amount that may be paid or when the payments may begin. Therefore, the timing and the amount of cash dividends that may be paid to shareholders in the future is uncertain. In addition, the board of directors may declare and pay periodic special cash dividends in addition to, or in lieu of, regular cash dividends. In determining whether to declare or pay any dividends, whether regular or special, the board of directors will take into account our financial condition and results of operations, tax considerations, capital requirements, industry standards and economic conditions. The regulatory restrictions that affect the payment of dividends by Nodak Insurance Company to us discussed below will also be considered. We cannot guarantee that we will pay dividends or that, if paid, we will not reduce or eliminate dividends in the future.

If we pay dividends to our shareholders, we also will be required to pay dividends to Nodak Mutual Group, unless Nodak Mutual Group elects to waive the receipt of dividends. We anticipate that Nodak Mutual Group will waive a substantial portion of the dividends that we may pay.

We will not be subject to regulatory restrictions on the payment of dividends. Our ability to pay dividends, however, may depend, in part, upon its receipt of dividends from Nodak Insurance Company because we initially will have no source of income other than earnings from the investment of the net proceeds from the offering that we retain. North Dakota law limits the amount of dividends and other distributions that Nodak Insurance Company may pay to us. See “Description of Business-Regulation-Limitation on Dividends.”

North Dakota law sets the maximum amount of dividends that may be paid by Nodak Insurance Company during any twelve-month period after notice to, but without prior approval of, the North Dakota Insurance Department. This amount cannot exceed the lesser of (i) 10% of the insurance company’s surplus as regards policyholders as of the preceding December 31, or (ii) the insurance company’s statutory net income for the preceding calendar year (excluding realized capital gains), less any prior dividends paid during such twelve-month period. In addition, any insurance company other than a life insurance company may carry forward net income from the preceding two calendar years, not including realized capital gains, less any dividends actually paid during those two calendar years. As of December 31, 2015, the pro forma amount available for payment of dividends by Nodak Insurance Company to us in 2016 without the prior approval of the North Dakota Insurance Department is approximately \$13.6 million. We cannot assure you that the North Dakota Insurance Department would approve the declaration or payment by Nodak Insurance Company of any dividends in excess of such amount to us. See “Description of Our Business — Regulation.”

Even if we receive any dividends from Nodak Insurance Company, we may not declare any dividends to our shareholders because of our working capital requirements. We are not subject to regulatory restrictions on the payment of dividends to shareholders, but we are subject to the requirements of the North Dakota Business Corporation Act. This law generally permits dividends or distributions to be paid as long as, after making the dividend or distribution, we will be able to pay our debts in the ordinary course of business and our total assets will exceed our total liabilities plus the amount that would be needed to satisfy the preferential rights upon dissolution of holders of stock with senior liquidation rights if we were to be dissolved at the time the dividend or distribution is paid.

**CAPITALIZATION**

The following table displays information regarding our historical and pro forma capitalization at June 30, 2016, on a consolidated basis. The pro forma information gives effect to the sale of common stock at the minimum, midpoint, and maximum of the range of our estimated consolidated pro forma market value, as determined by the independent valuation of Feldman Financial. The various capital positions are displayed based upon the assumptions set forth under “Use of Proceeds.” For additional financial information, see the financial statements of Nodak Mutual and related notes beginning on page F-2 of this prospectus. The total number of shares to be issued in the offering will range from 7,650,000 shares to 10,350,000 shares. The exact number will depend on market and financial conditions. See “Use of Proceeds” and “The Conversion and The Offering — Stock Pricing and Number of Shares to be Issued.”

**Pro Forma Capitalization at June 30, 2016  
(in thousands)**

	<b>Nodak Historical Capitalization</b>	<b>Pro Forma Combined Capitalization</b>		
	(unaudited)	<b>Minimum</b>	<b>Midpoint</b>	<b>Maximum</b>
		(unaudited)	(unaudited)	(unaudited)
<b>Shareholders' equity</b>				
Common stock, no par value per share; authorized shares 25,000,000	\$ —	\$ 77	\$ 90	\$ 103
Additional paid in capital	—	76,423	89,910	103,397
Retained earnings	142,921	142,921	142,921	142,921
Accumulated other comprehensive income net of tax	14,908	14,908	14,908	14,908
Less: common stock to be acquired by ESOP	—	(2,400)	(2,400)	(2,400)
<b>Total shareholders' equity</b>	<b>\$ 157,829</b>	<b>\$ 231,929</b>	<b>\$ 245,429</b>	<b>\$ 258,929</b>

**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

The following unaudited pro forma condensed balance sheet as of June 30, 2016, gives effect to the completion of the offering, including implementation of the ESOP, as if it had occurred as of January 1, 2016. The data is based on the assumption that 7,650,000 shares of common stock (the minimum number of shares required to be sold in the offering) are sold in the subscription offering and community offering, and that no shares are sold in the syndicated community offering.

The following unaudited pro forma condensed statements of operations for the six months ended June 30, 2016 and for the year ended December 31, 2015, present our operating results as if the offering was completed and the implementation of the ESOP had occurred as of January 1, 2015.

Completion of the offering is contingent on the sale of a minimum of 7,650,000 shares of common stock in the offering. If less than 7,650,000 shares of common stock are subscribed for in the subscription offering and community offering phases, the remaining shares may be sold in the syndicated community offering phase.

The unaudited pro forma information does not claim to represent what our financial position or results of operations would have been had the offering occurred on the dates indicated. This information is not intended to project our financial position or results of operations for any future date or period. The pro forma adjustments are based on available information and certain assumptions that we believe are factually supportable and reasonable under the circumstances. The unaudited pro forma financial information should be read in conjunction with our financial statements, the accompanying notes, and the other financial information included elsewhere in this prospectus.

The pro forma adjustments and pro forma amounts are provided for informational purposes only. Our financial statements will reflect the effects of the offering only from the date it is completed.

**Unaudited Pro Forma Condensed Consolidated Balance Sheet**  
**As of June 30, 2016**  
(In thousands, except per share data)

	<b>Nodak Mutual Historical</b>	<b>Pro Forma Adjustments</b>	<b>NI Holdings, Inc. Pro Forma Consolidated</b>
	(unaudited)	(unaudited)	(unaudited)
<b>Assets</b>			
Total investments, cash and cash equivalents	\$ 211,101	\$ 73,120 <sup>(1)</sup>	\$ 284,221
Premiums and other receivables	30,446	—	30,446
Reinsurance receivable	21,348	—	21,348
Deferred policy acquisition costs	10,577	—	10,577
Accrued investment income	1,421	—	1,421
Property and equipment	4,754	—	4,754
Receivable from FCIC	18,892	—	18,892
Other assets	21,361	—	21,361
Goodwill and other intangible assets	2,628	—	2,628
<b>Total assets</b>	<b>\$ 322,528</b>	<b>\$ 73,120</b>	<b>\$ 395,648</b>
<b>Liabilities</b>			
Unpaid losses and LAE	\$ 67,121	\$ —	\$ 67,121
Unearned and advance premiums	74,358	—	74,358
Other liabilities	17,025	—	17,025
Deferred taxes payable	6,195	—	6,195
<b>Total Liabilities</b>	<b>\$ 164,699</b>	<b>—</b>	<b>\$ 164,699</b>

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	<u>Nodak Mutual Historical</u>	<u>Pro Forma Adjustments</u>	<u>NI Holdings, Inc. Pro Forma Consolidated</u>
	(unaudited)	(unaudited)	(unaudited)
<b>Stockholders' equity</b>			
Common stock	\$ —	\$ 77	\$ 77
Unearned compensation	—	(2,400) <sup>(2)</sup>	(2,400)
Additional paid-in capital	—	76,423	76,423
Retained earnings	142,921	—	142,921
Accumulated other comprehensive income	14,908	—	14,908
<b>Total shareholders' equity<sup>(3)</sup></b>	<u>157,829</u>	<u>70,647</u>	<u>228,476</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 322,528</u>	<u>\$73,120</u>	<u>\$ 395,648</u>
Shares outstanding			17,000,000 <sup>(4)</sup>

**NOTES TO UNAUDITED PRO FORMA  
CONDENSED CONSOLIDATED BALANCE SHEET**

- (1) The unaudited pro forma condensed consolidated balance sheet, as prepared, gives effect to the sale of common stock at the minimum of the estimated range of our consolidated pro forma market value, as determined by the independent valuation of Feldman Financial. The unaudited pro forma condensed consolidated balance sheet is based upon the assumptions set forth under "Use of Proceeds."
- (2) Reflects the \$2,400,000 loan from Nodak Mutual to our ESOP, the proceeds of which will be used to purchase 240,000 shares of common stock in the offering at a purchase price of \$10.00 per share. The ESOP loan will bear interest at an annual rate equal to the long-term Applicable Federal Rate effective on the closing date of the offering.
- (3) Includes noncontrolling interest in Battle Creek.
- (4) No effect has been given to the issuance of additional shares in connection with the grant of options or awards of restricted stock under the stock-based incentive plan that we intend to adopt. The board of directors has not determined the number of shares that may be the subject of restricted stock awards under the plan or the number of shares that may be issued upon the exercise of stock options granted under the stock-based incentive plan. The shares issued as restricted stock awards or upon the exercise of stock options granted under the plan will either be acquired either through open market purchases or issued by us from authorized but unissued shares or treasury shares. We expect to seek shareholder approval of the plan at least six months after completion of the offering. The issuance of authorized but unissued shares of our common stock for the purpose of making restricted stock awards under the stock-based incentive plan instead of open market purchases will dilute the voting interests of existing shareholders.

For comparison with the above, the following table provides the net proceeds we will receive from the sale of common stock at the minimum, midpoint and maximum of the estimated valuation range, which includes the shares to be issued to the ESOP.

	<u>Minimum</u>	<u>Midpoint</u>	<u>Maximum</u>
	(Dollars in thousands, except share data)		
Gross proceeds from the offering	\$ 76,500	\$ 90,000	\$ 103,500
Less: conversion and offering expenses	(1,750)	(1,750)	(1,750)
Less: placement agent commissions <sup>(1)</sup>	(1,630)	(1,900)	(2,170)
Less: redemption of subscription rights	(5,427)	(5,427)	(5,427)
Net proceeds from the offering	<u>\$ 67,693</u>	<u>\$ 80,923</u>	<u>\$ 94,153</u>
Total shares issued in the offering	<u>7,650,000</u>	<u>9,000,000</u>	<u>10,350,000</u>

- (1) Represents the amount to be paid to Griffin Financial, which is equal to 2.0% of the shares sold in the subscription offering and community offering, presuming that all shares are sold in those phases. In the event of a syndicated community offering phase, a commission rate of 6.5% will be paid on all shares sold in that phase.

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The ESOP loan will require at least annual payments of principal and interest for a term of 10 years. NI Holdings intends to make contributions to the ESOP at least equal to the principal and interest requirement of the ESOP loan. As the ESOP loan is repaid, the shareholders' equity of NI Holdings will be increased. The ESOP expense reflects adoption of ASC 718-40, which requires recognition of expense based upon shares committed to be allocated under the ESOP, and the exclusion of unallocated shares from earnings per share computations. The valuation of shares committed to be allocated under the ESOP would be based upon the average market value of the shares during the year. For purposes of this calculation, the average market value was assumed to be equal to \$10.00 per share. See "Management — Benefit Plans and Employment Agreements."

**Unaudited Pro Forma Condensed Consolidated Statement of Operations**  
**For the Six Months Ended June 30, 2016**  
(In thousands, except share and per share data)

	<u>Nodak Mutual Historical</u>	<u>Pro Forma Adjustments</u>	<u>NI Holdings, Inc. Pro Forma Consolidated</u>
	(unaudited)	(unaudited)	(unaudited)
<b>Statement of Operations Data (amounts in thousands):</b>			
<b>Revenue:</b>			
Net premiums earned	\$ 67,251	\$ —	\$ 67,251
Investment income, net of investment expense	2,315	— <sup>(1)</sup>	2,315
Net realized gain on investments	219	—	219
Other revenue	812	—	812
<b>Total Revenue</b>	<b>\$ 70,597</b>	<b>\$ —</b>	<b>\$ 70,597</b>
<b>Expenses:</b>			
Losses and LAE	\$ 42,585	\$ —	\$ 42,585
Amortization of deferred policy acquisition costs	10,234	—	10,234
Other underwriting and general expenses	10,742	133 <sup>(2)</sup>	10,875
<b>Total expenses</b>	<b>\$ 63,561</b>	<b>\$ 133</b>	<b>\$ 63,694</b>
Income before income taxes	7,036	(133)	6,903
Income tax expense	2,636	(47) <sup>(3)</sup>	2,589
Net income before noncontrolling interest	4,400	(86)	4,314
Net income attributable to noncontrolling interest	52	—	52
Net Income	<b>\$ 4,452</b>	<b>\$ (86)</b>	<b>\$ 4,366</b>
<b>Earnings per share data:</b>			
Net income per share of common stock			\$ 0.27
Shares considered outstanding in calculating pro forma net income per share <sup>(4)(5)</sup>			17,000,000

**Unaudited Pro Forma Condensed Consolidated Statement of Operations**  
**For the Year Ended December 31, 2015**  
(In thousands, except share and per share data)

	<u>Nodak Mutual Historical</u>	<u>Pro Forma Adjustments</u>	<u>NI Holdings, Inc. Pro Forma Consolidated<sup>(10)</sup></u>
	(unaudited)	(unaudited)	(unaudited)
<b>Statement of Operations Data (amounts in thousands):</b>			
<b>Revenue:</b>			
Net premiums earned	\$ 139,473	\$ —	\$ 139,473
Investment income, net of investment expense	4,184	— <sup>(1)</sup>	4,184
Net realized gain on investments	823	—	823
Other income	1,854	—	1,854
<b>Total Revenue</b>	<b>\$ 146,334</b>	<b>\$ —</b>	<b>\$ 146,334</b>
<b>Expenses:</b>			
Losses and LAE	\$ 83,876	\$ —	\$ 83,876
Amortization of deferred policy acquisition costs	18,621	—	18,621
Other underwriting and general expenses	17,964	270 <sup>(2)</sup>	18,234
<b>Total expenses</b>	<b>120,461</b>	<b>270</b>	<b>120,731</b>
Income before income taxes	25,873	(270)	25,603
Income tax expense	8,288	95 <sup>(3)</sup>	8,193
Net income before noncontrolling interest	17,585	(175)	17,410
Net income attributable to noncontrolling interest	(129)	—	(129)
Net Income	<u>\$ 17,456</u>	<u>\$ (175)</u>	<u>\$ 17,281</u>
<b>Earnings per share data:</b>			
Net income per share of common stock			\$ 1.02
Shares considered outstanding in calculating pro forma net income per share <sup>(4)(5)</sup>			17,000,000

**NOTES TO UNAUDITED PRO FORMA  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

- (1) Does not reflect any income from the investment of net proceeds available for investment and assumed to be received as of the beginning of each period in accordance with Article 11 of Regulation S-X. This income is not “factually supportable” as that term is used in the Securities and Exchange Commission’s rules and regulations. We anticipate that we would earn approximately \$1.2 million of investment income assuming the net proceeds were available for investment and received as of January 1, 2015, and that they were invested with an average annual pre-tax rate of return of 1.8%.
- (2) Other underwriting and general expenses include a pro forma adjustment to recognize compensation expense under the ESOP for shares of common stock committed to be released to participants as the principal and interest of the \$2,400,000 loan from Nodak Mutual to the ESOP is repaid. The pro forma adjustment reflects the amounts repaid on the ESOP loan based on ten equal annual installments of principal and interest.
- (3) Adjustments to reflect the federal income tax effects of note (2) above assuming an effective federal income tax rate of 35%.
- (4) The ESOP will purchase 240,000 shares in the offering. For purposes of this table, the funds used to acquire such shares are assumed to have been borrowed by the ESOP from Nodak Mutual. The amount to be borrowed is reflected as a reduction to consolidated shareholders’ equity. NI Holdings expects to make annual contributions to the ESOP in an amount at least equal to the principal and interest requirement of the debt. Annual payment of the ESOP debt is based upon ten equal annual installments of principal and interest. The pro forma net earnings assumes: (i) that the contribution to the ESOP is equivalent to the debt service requirement for the year ended December 31, 2015; (ii) that 24,000 shares were committed to be released at the end of the year ended December 31, 2015, at an average fair value

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of \$10.00 per share, in accordance with ASC 718-40; and (iii) for purposes of calculating the net income per share, the weighted average of the ESOP shares which have not been committed for release, equal to 216,000 during the year ended December 31, 2015, were subtracted from total shares outstanding of 7,650,000 at the minimum of the offering range on such date.

- (5) No effect has been given to the issuance of additional shares in connection with the grant of options or awards of restricted stock under the stock-based incentive plan that we intend to adopt. The board of directors has not determined the number of shares that may be the subject of restricted stock awards under the plan or the number of shares that may be issued upon the exercise of stock options granted under the stock-based incentive plan. The shares issued as restricted stock awards or upon the exercise of stock options granted under the plan will either be acquired either through open market purchases or issued by us from authorized but unissued shares or treasury shares. We expect to seek shareholder approval of the plan at least six months after completion of the offering. The issuance of authorized but unissued shares of our common stock for the purpose of making restricted stock awards under the stock-based incentive plan instead of open market purchases will dilute the voting interests of existing shareholders.

### **Additional Pro Forma Data**

The actual net proceeds from the sale of our common stock in the offering cannot be determined until the offering is completed. However, the offering net proceeds are currently estimated to be between \$67.7 million and \$94.2 million, based upon the following assumptions:

- The aggregate redemption price for subscription rights not exercised by eligible members in the offering will be \$5.4 million; and
- Placement agent commissions will equal 2.0% of the gross proceeds of the offering and that no shares will be sold in the syndicated offering.

We have prepared the following table, which sets forth our historical net income and retained earnings prior to the offering and our pro forma net income and shareholders' equity following the offering. In preparing this table and in calculating pro forma data, the following assumptions have been made:

- Pro forma earnings have been calculated assuming the stock had been sold at the beginning of the period;
- Pro forma per share amounts have been calculated by dividing historical and pro forma amounts by the indicated number of shares of stock, as adjusted to give effect to the purchase of shares by our ESOP; and
- Pro forma shareholders' equity amounts have been calculated as if our common stock had been sold in the offering on December 31, 2015, and, accordingly, no effect has been given to the assumed earnings effect of the net proceeds from the offering.

The following pro forma information may not be representative of the financial effects of the offering at the date on which the offering actually occurs and should not be taken as indicative of future results of operations. The pro forma shareholders' equity is not intended to represent the fair market value of the common stock and may be different than amounts that would be available for distribution to shareholders in the event of liquidation.



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The following table summarizes historical data and our pro forma data at June 30, 2016, based on the assumptions set forth above and in the table and should not be used as a basis for projection of the market value of the common stock following the completion of the offering.

	7,650,000 Shares Sold at \$10.00 per Share (Minimum of Range)	9,000,000 Shares Sold at \$10.00 per Share (Midpoint of Range)	10,350,000 Shares Sold at \$10.00 per Share (Maximum of Range)
<b>Pro forma offering proceeds</b>			
Gross proceeds of public offering	\$ 76,500,000	\$ 90,000,000	\$ 103,500,000
Less redemption of subscription rights	5,427,000	5,427,000	5,427,000
Less offering expenses and commissions	3,380,000	3,650,000	3,920,000
Net proceeds	67,693,000	80,923,000	94,153,000
Less ESOP shares <sup>(1)</sup>	2,400,000	2,400,000	2,400,000
Net proceeds after ESOP shares	<u>\$ 65,293,000</u>	<u>\$ 78,523,000</u>	<u>\$ 91,753,000</u>
<b>Pro forma shareholders' equity</b>			
Historical equity of Nodak Mutual	157,829,000	157,829,000	157,829,000
Net proceeds after ESOP shares	65,293,000	78,523,000	91,753,000
Pro forma shareholders' equity <sup>(2)</sup>	<u>\$ 223,122,000</u>	<u>\$ 236,352,000</u>	<u>\$ 249,582,000</u>
<b>Pro forma per share data</b>			
Total shares outstanding after the offering	17,000,000	20,000,000	23,000,000
Pro forma book value per share	\$ 13.12	\$ 11.82	\$ 10.85
Pro forma price-to-book value <sup>(3)</sup>	76.2%	84.6%	92.2%
<b>Pro forma net income:</b>			
Historical net income	\$ 4,452,000	\$ 4,452,000	\$ 4,452,000
ESOP expense	120,000	120,000	120,000
Pro forma income	<u>\$ 4,332,000</u>	<u>\$ 4,332,000</u>	<u>\$ 4,332,000</u>
Weighted average shares outstanding <sup>(4)</sup>	17,000,000	20,000,000	23,000,000
Pro forma income per share	\$ 0.25	\$ 0.22	\$ 0.19

(1) The ESOP will purchase 240,000 shares in the offering. The funds used to acquire such shares are assumed to have been borrowed by the ESOP from Nodak Mutual. The amount to be borrowed is reflected as a reduction to consolidated shareholders' equity. Annual contributions are expected to be made to the ESOP in an amount at least equal to the principal and interest requirement of the debt. The pro forma net income assumes: (i) that the contribution to the ESOP is equivalent to the debt service requirements for the year ended December 31, 2015; and (ii) only the ESOP shares committed to be released were considered outstanding for purposes of the net income per share calculations.

(2) No effect has been given to the issuance of additional shares in connection with the grant of options or awards of restricted stock under the stock-based incentive plan that we intend to adopt. The board of directors has not determined the number of shares that may be the subject of restricted stock awards under the plan or the number of shares that may be issued upon the exercise of stock options granted under the stock-based incentive plan. The shares issued as restricted stock awards or upon the exercise of stock options granted under the plan will either be acquired either through open market purchases or issued by us from authorized but unissued shares or treasury shares. We expect to seek shareholder approval of the plan at least six months after completion of the offering. The issuance of authorized but unissued shares of our common stock for the purpose of making restricted stock awards under the stock-based incentive plan instead of open market purchases will dilute the voting interests of existing shareholders.

(3) Feldman Financial has determined that the value of Nodak Mutual on a fully converted basis would be between \$170 million and \$230 million, with a midpoint of \$200 million. Accordingly, if NI Holdings were to offer all of its shares for sale in this offering, the number of outstanding shares would be between 17,000,000 and 23,000,000. Using the same assumptions as to the conversion and offering expenses, selling agent commissions and percentage of subscription rights that would be redeemed as used in the

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table above, the pro forma book value per share would be \$18.16, \$16.89, and \$15.96 at the minimum, midpoint, and maximum of the offering range and the pro forma price to book value would be 55.1%, 59.2%, and 67.2%, respectively.

- (4) It is assumed that 240,000 shares will be purchased by our ESOP in the offering. For purposes of this table, the funds used to acquire such shares are assumed to have been borrowed by the ESOP from Nodak Mutual. The amount to be borrowed is reflected as a reduction to consolidated shareholders' equity of NI Holdings. Annual contributions are expected to be made to the ESOP in an amount at least equal to the principal and interest requirement of the debt. The annual payment of the ESOP debt is based upon ten equal annual installments of principal and interest. The pro forma net earnings assumes: (i) that the contribution to the ESOP is equivalent to the debt service requirement for the year ended December 31, 2015; (ii) that 24,000 shares were committed to be released at the end of the year ended December 31, 2015, at an average fair value of \$10.00 per share in accordance with ASC 718-40; and (iii) for purposes of calculating the net income per share, the weighted average of the ESOP shares which have not been committed for release, equal to 216,000 shares during the year ended December 31, 2015, were subtracted from total shares outstanding of 7,650,000, 9,000,000 and 10,350,000 at the minimum, midpoint, and maximum of the offering range on such date.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of operations of Nodak Mutual Insurance Company should be read in conjunction with its financial statements and accompanying notes included elsewhere in this prospectus. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus constitutes forward-looking information that involves risks and uncertainties. Please see "Forward-Looking Information" and "Risk Factors" for more information. You should review "Risk Factors" for a discussion of important factors that could cause actual results to differ materially from the results described, or implied by, the forward-looking statements contained herein.

### Overview

Nodak Mutual is a mutual insurance company domiciled in North Dakota. On the effective date of the conversion, Nodak Mutual will convert from a mutual insurance company to a stock insurance company and issue its capital stock to Nodak Mutual Group, Inc. Nodak Mutual Group, Inc. will then contribute all of the stock of Nodak Insurance Company to NI Holdings in exchange for 100% of the stock of NI Holdings. NI Holdings will simultaneously sell shares of its common stock in this offering, and as a result Nodak Mutual Group, Inc. will be diluted to approximately a 55% interest in NI Holdings and the purchasers of stock in this offering will own approximately a 45% interest in NI Holdings.

Nodak Mutual offers property and casualty insurance, crop hail, and multi-peril crop insurance to members of the North Dakota Farm Bureau through captive agents in North Dakota. American West and Battle Creek offer similar insurance coverage through independent agents in South Dakota, Minnesota and Nebraska, respectively. Primero offers limited nonstandard auto insurance coverage in Arizona, Nevada, North Dakota and South Dakota. Nodak Mutual and Battle Creek are rated by "A" by A.M. Best, which is the third highest out of a possible 15 ratings. American West is rated "B++", and Primero is unrated.

American West is a wholly owned subsidiary of Nodak Mutual, and Primero is an indirect wholly owned subsidiary of Nodak Mutual. Battle Creek is managed by Nodak Mutual, and Nodak Mutual reinsures 100% of the risk on all insurance policies issued by Battle Creek. Nodak Mutual's financial statements included herein are the consolidated financial results of Nodak Mutual, American West, Battle Creek, and Primero.

For the six months ended June 30, 2016, Nodak Mutual had consolidated direct premiums written of \$91.8 million, consolidated net premiums earned of \$67.2 million, and consolidated net income of \$4.5 million. For the year ended December 31, 2015, Nodak Mutual had consolidated direct premiums written of \$172.8 million, consolidated net premiums earned of \$139.5 million, and consolidated net income of \$17.4 million. For the year ended December 31, 2014, Nodak Mutual had consolidated direct premiums written of \$156.0 million, consolidated net premiums earned of \$131.9 million, and consolidated net income of \$13.8 million. At June 30, 2016, Nodak Mutual had total assets of \$322.5 million and \$157.9 million of equity.

### Marketplace Conditions and Trends

The property and casualty insurance industry is affected by recurring industry cycles known as "hard" and "soft" markets. A soft cycle is characterized by intense competition resulting in lower pricing in order to compete for business. A hard market, generally considered a beneficial industry trend, is characterized by reduced competition that results in higher pricing. Nodak Mutual believes that the market has remained moderately stable after experiencing a cyclical market from 2000 to 2010.

Unlike property and casualty insurance, the total crop insurance premiums written each year vary mainly based on prevailing commodity prices for the type of crops planted, because the aggregate number of acres planted does not vary much from year to year. Because the premiums that are charged for crop insurance are established by the Risk Management Agency (the "RMA"), which is a division of the United States Department of Agriculture, and the policy forms and terms are also established by the RMA, insurers do not compete on price or policy terms and conditions. Moreover, because participation in other federal farm programs by a farmer is conditioned upon participation in the federal crop insurance program, most commercial farmers obtain crop insurance on their plantings each year.

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### **Principal Revenue and Expense Items**

Nodak Mutual derives its revenue primarily from premiums earned, net investment income and net realized gains (losses) from investments.

#### *Gross and net premiums written*

Gross premiums written is equal to direct premiums written and assumed premiums before the effect of ceded reinsurance. Net premiums written is the difference between gross premiums written and premiums ceded or paid to reinsurers (ceded premiums written).

#### *Premiums earned*

Premiums earned is the earned portion of net premiums written. Gross premiums written include all premiums recorded by an insurance company during a specified policy period. Insurance premiums on property and casualty policies are recognized in proportion to the underlying risk insured and are earned ratably over the duration of the policies. At the end of each accounting period, the portion of the premiums that is not yet earned is included in unearned premiums and is realized as revenue in subsequent periods over the remaining term of the policy. Nodak Mutual's property and casualty policies typically have a term of twelve months. Thus, for example, for a policy that is written on July 1, 2015, one-half of the premiums would be earned in 2015 and the other half would be earned in 2016.

Due to the nature of the crop planting and harvesting cycle and the deadlines for filing and processing claims under the federal crop insurance program, insurance premiums for crop insurance are generally recognized and earned during the same calendar year as the year in which the policy is written. Under the federal crop insurance program, by March 15 farmers must purchase crop insurance with respect to spring planted crops. By July 15, the farmer must report the number of acres he has planted in each crop. On September 1, the insurer bills the farmer for the insurance premium, which is due and payable by the farmer by October 1. If the farmer does not pay the premium by such date, the insurer must essentially provide a loan to the farmer in an amount equal to the premium at an annual rate of 15% because the insurer is required to pay the farmer's portion of the premium to the Federal Crop Insurance Corporation ("FCIC") by November 15, regardless of whether the farmer pays the premium to the insurer. Except for claims made in the spring (primarily for prevented planting and required replanting claims), claims are required to be made by December 15. A different cycle exists for crops planted in the fall, such as winter wheat, but the vast majority of crop insurance written by Nodak Mutual covers spring planted crops.

#### *Net investment income and net realized gains (losses) on investments*

Nodak Mutual invests its surplus and the funds supporting its insurance liabilities (including unearned premiums and unpaid loss and loss adjustment expenses) in cash, cash equivalents, equities and debt securities. Investment income includes interest and dividends earned on invested assets. Net realized gains and losses on invested assets are reported separately from net investment income. Nodak Mutual recognizes realized gains when invested assets are sold for an amount greater than their cost or amortized cost (in the case of fixed maturity securities) and recognizes realized losses when investment securities are written down as a result of an other than temporary impairment or sold for an amount less than their cost or amortized cost, as applicable. Nodak Mutual's portfolio of investment securities is managed by Conning, Inc., who has discretion to buy and sell securities in accordance with the investment policy approved by our board of directors.

Nodak Mutual's expenses consist primarily of:

#### *Loss and loss adjustment expense*

Loss and loss adjustment expenses represent the largest expense item and include: (1) claim payments made, (2) estimates for future claim payments and changes in those estimates for prior periods, and (3) costs associated with investigating, defending and adjusting claims, including legal fees.

#### *Amortization of deferred policy acquisition costs and underwriting and administrative expenses*

Expenses incurred to underwrite risks are referred to as policy acquisition expenses and underwriting and administrative expenses. Policy acquisition costs consist of commission expenses, premium taxes and certain other underwriting expenses that vary with and are primarily related to the writing and acquisition of new and

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renewal business. These policy acquisition costs are deferred and amortized over the effective period of the related insurance policies. Underwriting and administrative expenses consist of salaries, rent, office supplies, depreciation and all other operating expenses not otherwise classified separately, and payments to bureaus and assessments of statistical agencies for policy service and administration items such as rating manuals, rating plans and experience data.

### *Income taxes*

Nodak Mutual uses the asset and liability method of accounting for income taxes. Deferred income taxes arise from the recognition of temporary differences between financial statement carrying amounts and the tax bases of its assets and liabilities. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. At both December 31, 2015 and December 31, 2014, Nodak Mutual had recorded a valuation allowance with respect to its deferred tax asset of approximately \$1.1 million. The effect of a change in tax rates is recognized in the period of the enactment date.

### **Key Financial Measures**

Nodak Mutual evaluates its insurance operations by monitoring certain key measures of growth and profitability. In addition to reviewing its financial performance based on results determined in accordance with generally accepted accounting principles in the United States (GAAP), Nodak Mutual utilizes certain non-GAAP financial measures that are used widely in the property and casualty insurance industry and which it believes are valuable in managing its business and for comparison to its peers. These non-GAAP measures are the expense ratio, loss and loss adjustment expense ratio, and combined ratio, written premiums, ratio of net written premiums to statutory surplus, underwriting income, return on average equity, and risk based capital.

Nodak Mutual measures growth by monitoring changes in gross premiums written and net premiums written. Nodak Mutual measures underwriting profitability by examining its loss and loss adjustment expense ratio, expense ratio, and combined ratio. It also measures profitability by examining underwriting income (loss) and net income (loss) and return on average equity.

### *Loss and loss adjustment expense ratio*

The loss and loss adjustment expense ratio is the ratio (expressed as a percentage) of loss and loss adjustment expenses incurred to premiums earned. Nodak Mutual measures the loss and loss adjustment expense ratio on a policy year and calendar year loss basis to measure underwriting profitability. A policy year loss ratio measures loss and loss adjustment expenses for insured events occurring in a particular year, regardless of when they are reported, as a percentage of premiums earned during that year. A calendar year loss ratio measures loss and loss adjustment expense for insured events occurring during a particular year and the change in loss reserves from prior policy years as a percentage of premiums earned during that year.

### *Expense ratio*

The expense ratio is the ratio (expressed as a percentage) of amortization of deferred policy acquisition costs and net underwriting and administrative expenses (attributable to insurance operations) to premiums earned, and measures our operational efficiency in producing, underwriting and administering the company's insurance business.

### *Combined ratio*

Nodak Mutual's combined ratio is the sum of the loss and loss adjustment expense ratio and the expense ratio and measures its overall underwriting profit. If the combined ratio is below 100%, Nodak Mutual is making an underwriting profit. If its combined ratio is at or above 100%, it is not profitable without investment income and may not be profitable if investment income is insufficient.

### *Net premiums written to statutory surplus ratio*

The net premiums written to statutory surplus ratio represents the ratio of net premiums written, after reinsurance ceded, to statutory surplus. This ratio measures Nodak Mutual's exposure to pricing errors in its current book of business. The higher the ratio, the greater the impact on surplus should pricing prove inadequate.

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### *Underwriting income (loss)*

Underwriting income (loss) measures the pre-tax profitability of insurance operations. It is derived by subtracting loss and loss adjustment expense, amortization of deferred policy acquisition costs, and underwriting and administrative expenses from earned premiums. Each of these items is presented as a caption in Nodak Mutual's statements of operations.

### *Net income (loss) and return on average equity*

Nodak Mutual uses net income (loss) to measure its profit and return on average equity to measure its effectiveness in utilizing equity to generate net income. In determining return on average equity for a given year, net income (loss) is divided by the average of the beginning and ending equity for that year.

## **Critical Accounting Policies**

### *General*

The preparation of financial statements in accordance with GAAP requires both the use of estimates and judgment relative to the application of appropriate accounting policies. Nodak Mutual is required to make estimates and assumptions in certain circumstances that affect amounts reported in its financial statements and related footnotes. Nodak Mutual evaluates these estimates and assumptions on an on-going basis based on historical developments, market conditions, industry trends and other information that it believes to be reasonable under the circumstances. There can be no assurance that actual results will conform to its estimates and assumptions and that reported results of operations will not be materially adversely affected by the need to make accounting adjustments to reflect changes in these estimates and assumptions from time to time. Nodak Mutual believes the following policies are the most sensitive to estimates and judgments.

### *Loss and Loss Adjustment Expense Reserves*

#### *How reserves are established*

With respect to its traditional property and casualty insurance products, Nodak Mutual maintains reserves for the payment of claims (indemnity losses) and expenses related to adjusting those claims (loss adjustment expenses or LAE). Nodak Mutual's loss reserves consist of case reserves, which are reserves for claims that have been reported to it, and reserves for claims that have been incurred but have not yet been reported and for the future development of case reserves (IBNR).

When a claim is reported to Nodak Mutual, its claims personnel establish a case reserve for the estimated amount of the ultimate payment to the extent it can be determined or estimated. The amount of the loss reserve for the reported claim is based primarily upon an evaluation of coverage, liability, damages suffered, and any other information considered pertinent to estimating the exposure presented by the claim. Each claim is contested or settled individually based upon its merits, and some property and casualty claims may take years to resolve, especially if legal action is involved. Case reserves are reviewed on a regular basis and are updated as new information becomes available.

When a catastrophe occurs, which in Nodak Mutual's case mostly involves the weather perils of wind and hail, Nodak Mutual utilizes mapping technology through geographic coding of its property risks to overlay the path of the storm. This enables the company to establish estimated damage amounts based on the wind speed and size of the hail for case or per claim loss amounts. This process allows the company to determine within a reasonable time (5 – 7 days) an estimated number of claims and estimated loss payments from the storm. If the company estimates the damages to be in excess of its retained catastrophe amount, reinsurers are notified immediately of a potential loss so that the company can quickly recover reinsurance payments once the retention is exceeded.

In addition to case reserves, Nodak Mutual maintains estimates of reserves for loss and loss adjustment expenses incurred but not reported. These reserves include estimates for the future development of case reserves. Some claims may not be reported for several years. As a result, the liability for unpaid loss and loss adjustment reserves includes significant estimates for IBNR.

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As multi-peril crop insurance claims must be reported within a specified time period established by the Federal Crop Insurance Corporation, this line of business is not impacted by incurred but not reported (IBNR) loss or LAE reserves. The Company estimates losses on a quarterly basis based upon historical loss patterns, current crop conditions, current weather patterns, and input from crop loss adjusters. These estimates have proven to be a very good indicator of the Company's anticipated losses for this line of business.

Nodak Mutual utilizes an independent actuary to assist with the estimation of its loss and LAE reserves in September and December of each year. This actuary prepares estimates of the ultimate liability for unpaid losses and LAE based on established actuarial methods described below. Nodak Mutual's management reviews these estimates and supplements the actuarial analysis with information not fully incorporated into the actuarially based estimate, such as changes in the external business environment and changes in internal company processes and strategy. Nodak Mutual may adjust the actuarial estimates based on this supplemental information in order to arrive at the amount recorded in the financial statements.

Nodak Mutual accrues liabilities for unpaid loss and loss adjustment expenses based upon estimates of the ultimate amount payable. Nodak Mutual projects its estimate of ultimate loss and loss adjustment expenses by using the following actuarial methodologies:

**Bornhuetter-Ferguson Method** — The Bornhuetter-Ferguson Method is a blended method that explicitly takes into account both actual loss development to date and expected future loss emergence. This method is applied on both a paid loss basis and an incurred loss basis. This method uses the selected loss development patterns from the Loss Development Methods to calculate the expected percentage of loss unpaid (or unreported). The expected future loss component of the method is calculated by multiplying earned premium for the given exposure period by a selected a priori (i.e. deductive) loss ratio. The resulting dollars are then multiplied by the expected percentage of unpaid (or unreported) loss described above. This provides an estimate of future paid (or reported) losses that is then added to actual paid (or incurred) loss data to produce estimated ultimate loss.

**Paid and Case Incurred Loss Methods** — The Paid and Case Incurred Loss Development Methods utilize ratios of cumulative paid or case incurred loss or loss adjustment expense at each age of development as a percent of the preceding development age. Selected ratios are then multiplied together to produce a set of loss development factors which when applied to the most current data value, by accident year, develop estimated ultimate losses or loss adjustment expense. Ultimate losses or loss adjustment expense are then selected for each accident year from the various methods employed.

**Ratio of Paid ALAE to Paid Loss Method** — This method utilizes the ratio of paid adjusted loss adjustment expense to paid losses and is similar to the Paid and Case Incurred Methods described above, except that the data projected are the ratios of paid adjusted loss adjustment expense to paid losses. The projected ultimate ratio is then multiplied by the selected ultimate losses, by accident year, to yield ultimate adjusted loss adjustment expense. Adjusted loss adjustment expense reserves are calculated by subtracting paid losses from ultimate adjusted loss adjustment expense.

Nodak Mutual estimates IBNR reserves by first deriving an actuarially based estimate of the ultimate cost of total loss and loss adjustment expenses incurred as of the financial statement date. Nodak Mutual then reduces the estimated ultimate loss and loss adjustment expenses by loss and loss adjustment expense payments and case reserves carried as of the financial statement date. The actuarially determined estimate is based upon indications from one of the above actuarial methodologies or uses a weighted average of these results. The specific method used to estimate the ultimate losses will vary depending on the judgment of the actuary as to what is the most appropriate method for the property and casualty business. Finally, Nodak Mutual considers other factors that impact reserves that are not fully incorporated in the actuarially based estimate, such as changes in the external business environment and changes in internal company processes and strategy.

The process of estimating loss reserves involves a high degree of judgment and is subject to a number of variables. These variables can be affected by both internal and external events, such as changes in claims handling procedures, inflation, legal trends, and legislative changes, among others. The impact of many of these items on ultimate costs for claims and claim adjustment expenses is difficult to estimate. Loss reserve

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estimation is affected by the volume of claims, the potential severity of individual claims, the determination of occurrence date for a claim, and reporting lags (the time between the occurrence of the policyholder event and when it is actually reported to the insurer). Informed judgment is applied throughout the process, including the application of various individual experiences and expertise to multiple sets of data and analyses. Nodak Mutual continually refines its loss reserve estimates in a regular ongoing process as historical loss experience develops and additional claims are reported and settled. Nodak Mutual considers all significant facts and circumstances known at the time loss reserves are established.

There is an inherent amount of uncertainty in the establishment of insurance liabilities. This uncertainty is greatest in the current and most recent accident years due to the relative newness of the claims being reported and the relatively small percentage of these claims that have been reported, investigated, and adjusted by the company's claims staff. Therefore the reserves carried in these more recent accident years are generally more conservative than those carried for older accident years. As the company has the opportunity to investigate and adjust the reported claims, both the case and IBNR reserves are adjusted to more closely reflect the ultimate expected loss.

Other factors that have or can have an impact on Nodak Mutual's case and IBNR reserves include but are not limited to:

- *Changes in law regarding insureds' liability and public attitudes regarding damage awards can significantly impact prior claims.*

Laws governing liability claims and judicial interpretations thereof can change over time, which can expand the scope of coverage anticipated by insurers when initially establishing reserves for claims. In addition, public attitudes regarding damage awards can result in judges and juries granting higher recoveries for damages than expected by claims personnel when claims are presented. In addition, these changes can result in both increased claim frequency and severity as both plaintiffs and their legal counsel perceive the opportunity for higher damage awards. Reserves established for claims that occurred in prior years would not have anticipated these legal changes and, therefore, could prove to be inadequate for the ultimate loss paid by the company, causing the company to experience adverse development and higher loss payments in future years.

- *Change in claims handling and/or setting case reserves.*

Changes in company personnel and/or the approach to how claims are reported, adjusted, and reserved may affect the reserves established by a company. As discussed above, the setting of IBNR reserves is not an exact science and involves the expert judgment of an actuary. One actuary's reserve opinion may differ slightly from another actuary's opinion. This is the primary reason why the IBNR reserve estimate is customarily reported as a range by a company's actuary, which provides the company with an acceptable "range" to use in establishing its estimate for IBNR reserves.

- *Economic inflation*

A sudden and extreme increase in the economic inflation rate could have a significant impact on a company's case and IBNR reserves. When establishing Nodak Mutual's case reserves, the claim's personnel generally establish an amount that in their opinion will provide a conservative amount to settle the loss. If the time to settle the claim extends over a period of years, the initial reserve may not anticipate an economic inflation rate that is significantly higher than the current inflation rate. This can also apply to a company's IBNR reserves. Should the economic inflation rate increase significantly, it is likely that a company may not anticipate the need to adjust the IBNR reserves accordingly, which could lead to the company being deficient in its IBNR reserves.

- *Increases or decreases in claim severity for reasons other than inflation.*

Factors exist that can drive the cost to settle claims for reasons other than standard inflation. For example, demand surge (as in the case of Hurricane Katrina) caused by a very large catastrophe has an impact on not only the availability and cost of building materials such as roofing and other such materials but also on the availability and cost of labor. Other factors such as increased vehicle traffic in an area not designed to



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handle the increased congestion and increased speed limits on busy roads are examples of changes that could cause claim severity to increase beyond what a company's historic reserves would reflect.

- *Actual settlement experience different than historical data trends*

When establishing IBNR reserves, Nodak Mutual's actuary takes into account many of the factors discussed above. One of the more important factors that is considered when setting reserves is the past or historical claim settlement experience. Our actuary considers factors such as the number of files entering litigation, payment patterns, length of time it takes company claims personnel to settle the claims, and average payment amounts when estimating reserve amounts. Should future settlement patterns change due to legal environment, company claims handling philosophy, or personnel, it may have an impact on the future claims payments, which could cause existing reserves to either be redundant (excessive) or deficient (below) compared the actual loss amount.

- *Change in Reporting Lag*

As discussed above, Nodak Mutual and its actuary utilize historical patterns to provide an accurate estimate of what will take place in the future. Should we experience a change in reporting time (claims are slower to be reported than in the past), we or our actuary may underestimate the anticipated number of future claims, which could cause us and our actuary to underestimate the ultimate loss we may experience. A lag in reporting may be caused by changes in how claims are reported (online vs. through company personnel), the type of business or lines of business the company is writing, the company's distribution system (direct writer, independent agent, or captive agent), and geographic area where the company chooses to insure risk.

Due to the inherent uncertainty underlying loss reserve estimates, final resolution of the estimated liability for loss and loss adjustment expenses may be higher or lower than the related loss reserves at the reporting date. Therefore, actual paid losses, as claims are settled in the future, may be materially higher or lower in amount than current loss reserves. Nodak Mutual reflects adjustments to loss reserves in the results of operations in the period the estimates are changed.

Nodak Mutual's reserves for unpaid loss and LAE are summarized below (dollars in thousands):

	As of December 31, 2015	As of December 31, 2014
Case reserves	\$ 31,038	\$ 34,755
IBNR reserves	9,195	10,087
Net unpaid loss and LAE	40,233	44,842
Reinsurance recoverable on unpaid loss and LAE	5,109	5,676
Reserves for unpaid loss and LAE	<u>\$ 45,342</u>	<u>\$ 50,518</u>

At December 31, 2015, Nodak Mutual recorded its loss and loss adjustment expense reserves within the range of the actuary's loss and LAE reserves estimate.

Nodak Mutual's actuary is required to exercise a considerable degree of judgment in the evaluation of all of these and other factors in the analysis of Nodak Mutual's loss and LAE reserves and the related range of anticipated losses. Because of the level of uncertainty impacting the estimation process, it is reasonably possible that different actuaries would arrive at different conclusions. The method of determining the loss reserves has not changed and the reserve generated by Nodak Mutual's actuary is consistent with the observed development of Nodak Mutual's loss reserves over the last few years.

The variability in establishing loss reserves arises primarily because specific losses may not be known and reported for some period and the ultimate losses paid and loss adjustment expenses incurred with respect to known losses may be larger than currently estimated. In addition, we continue to process claims from losses incurred as old as 2004. The ultimate frequency or severity of these claims can be very different than the assumptions Nodak Mutual used in its estimation of ultimate reserves for these exposures.

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Specifically, the following factors could impact the frequency and severity of claims, and therefore, the ultimate amount of loss and LAE paid:

- The rate of increase in labor costs and healthcare costs that underlie insured risks;
- Changes in costs of building materials;
- Changes in commodity prices for insured crops; and
- Impact of changes in laws, regulations or judicial decisions.

The estimation process for determining the liability for unpaid loss and LAE inherently results in adjustments each year for claims incurred (but not paid) in preceding years. Negative amounts reported for claims incurred related to prior years are a result of claims being settled or resolved for amounts less than originally estimated (favorable development). Positive amounts reported for claims incurred related to prior years are a result of claims being settled or resolved for amounts greater than originally estimated (adverse development).

### Actuarial Loss Reserves

The selection of the ultimate loss is based on information unique to each policy year and the judgment and expertise of Nodak Mutual's actuary and management.

The following table provides case and IBNR reserves for losses and loss adjustment expenses as of June 30, 2016 and as of December 31, 2015 and 2014.

#### **As of June 30, 2016**

<u>(dollars in thousands)</u>	<u>Case Reserves</u>	<u>IBNR Reserves</u>	<u>Total Reserves</u>
	(unaudited)	(unaudited)	(unaudited)
Property and casualty	\$ 38,859	\$ 8,037	\$ 46,896
Crop	9,138	—	9,138
Total net reserves	\$ 47,997	\$ 8,037	\$ 56,033
Reinsurance recoverables	15,308	2,475	17,783
Gross reserves	<u>\$ 63,304</u>	<u>\$ 10,512</u>	<u>\$ 73,816</u>

#### **As of December 31, 2015**

<u>(dollars in thousands)</u>	<u>Case Reserves</u>	<u>IBNR Reserves</u>	<u>Total Reserves</u>
Property and casualty	\$ 29,822	\$ 9,195	\$ 39,017
Crop	1,216	—	1,216
Total net reserves	\$ 31,038	\$ 9,195	\$ 40,233
Reinsurance recoverables	3,782	1,327	5,109
Gross reserves	<u>\$ 34,820</u>	<u>\$ 10,522</u>	<u>\$ 45,342</u>

#### **As of December 31, 2014**

<u>(dollars in thousands)</u>	<u>Case Reserves</u>	<u>IBNR Reserves</u>	<u>Total Reserves</u>
Property and casualty	\$ 28,570	\$ 10,087	\$ 38,657
Crop	6,185	—	6,185
Total net reserves	\$ 34,755	\$ 10,087	\$ 44,842
Reinsurance recoverables	4,317	1,359	5,676
Gross reserves	<u>\$ 39,072</u>	<u>\$ 11,446</u>	<u>\$ 50,518</u>

As discussed earlier, the estimation of Nodak Mutual's reserves is based on several actuarial methods, each of which incorporates many quantitative assumptions. The judgment of the actuary plays an important role in selecting among various loss development factors and selecting the appropriate method, or combination of methods, to use for a given policy year.

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### *Liabilities for Property and Casualty Claims and Claim Expenses*

Loss reserves represent management's best estimate of ultimate unpaid losses and settlement expenses for claims that have been reported and claims that have been incurred but not yet reported. In evaluating whether the reserves make a reasonable provision for the unpaid losses and loss expenses, it is necessary to project future loss and loss adjustment expense payments. It is certain that the actual future losses and loss adjustment expenses will not develop exactly as projected and may vary significantly from the projections.

The projections make no provision for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in the Company's historical data base or which are not yet quantifiable. Also, there may be a change in the Company's reporting pattern or case reserve adequacy that is not identifiable. Due to the inherent uncertainty in estimating reserves for losses and loss adjustment expenses, we cannot be certain that the ultimate liability will not exceed amounts reserved, with a resulting adverse effect on our financial condition and results of operations. For this reason, the carried reserves reflect prudently conservative assumptions. As the carried reserves run off, the overall expectation is that, more often than not, favorable development will occur. However, there is also the possibility that the ultimate settlement of liabilities associated with these reserves will be greater, perhaps significantly, than the carried reserves.

If we conclude that the reserve estimate needs to be increased, the result is an increase in losses, reducing our net income for the period in which the revised estimate is identified. Accordingly, an increase in loss reserves could have a material adverse effect on our results of operations, liquidity, and financial condition.

Management has identified the impact on earnings of various factors used in establishing loss reserves so that users of the Company's financial statements can better understand how development on prior years' reserves might impact the Company's results of operations.

#### *Total Reserves*

As of December 31, 2015, the impact of a reserve estimation resulting in a 1% increase in net reserves would be a decrease of approximately \$308,000 in net income after tax. Conversely, a reserve estimation resulting in a 1% decrease in net reserves would increase net income after tax by approximately \$308,000.

#### *Inflation*

Inflation is not explicitly selected in the loss reserve analysis. However, historical inflation is embedded in the estimated loss development factors. The following table displays the impact on net income after tax resulting from various changes from the inflation factor implicitly embedded in the estimated payment pattern as of December 31, 2015. A change in inflation may or may not fully impact loss payments in the future because some of the underlying expenses have already been paid. The table below assumes that any change in inflation will be fully reflected in future loss payments. This variance in future IBNR emergence could occur in one year or over multiple years, depending when the change is recognized.

<b>Change in Inflation</b>	<b>Impact on After Tax Earnings</b>
-1%	\$ (341,233)
1%	\$ 346,163
3%	\$ 1,053,826
5%	\$ 1,782,888

Inflation includes actual inflation as well as social inflation which includes future emergence of new classes of losses or types of losses, change in judicial awards, and any other changes beyond assumed levels that impact the cost of claims.

#### *Case Reserves*

When a claim is reported, claims personnel establish a case reserve for the estimated amount of the ultimate payment to the extent it can be determined or estimated. It is possible that the level of adequacy in the case reserve may differ from historical levels and/or the claims reporting pattern may change. The following table displays the impact on net income after tax that results from various changes from the historical inflation factor that is implicitly embedded in the estimated payment pattern to develop the reserves

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as of December 31, 2015. This variance in future IBNR emergence could occur in one year or over multiple years, depending when the change is recognized.

<u>Change in Case Reserves</u>	<u>Impact on After Tax Earnings</u>
-10%	\$ (2,367,760)
-5%	\$ (1,183,880)
-2%	\$ (473,552)
+2%	\$ 473,552
+5%	\$ 1,183,880
+10%	\$ 2,367,760

### Unallocated Loss Adjustment Reserve (All Other Loss Adjustment)

In addition to establishing loss reserves, as described above, we establish reserves for unallocated loss adjustment expenses (“ULAE”). Historical patterns of paid ULAE relative to paid loss are analyzed. The result of this analysis is an estimate of the relationship or ratio, between ULAE and losses paid. This ratio is used to estimate the required ULAE reserve. Consequently, this component of the loss expense reserve has a proportional relationship to the overall loss reserves excluding loss adjustment expense. This method assumes that the underlying claims process and mix of business do not change materially from period to period.

The following table displays the impact on net income after tax that various changes in this factor would have on the ULAE reserves as of December 31, 2015. This variance in future reserve emergence could occur in one year or over multiple years, depending when the change is recognized.

<u>Percentage Point Change in ULAE Factor</u>	<u>Impact on After Tax Earnings</u>
-2%	\$ (314,663)
-1%	\$ (157,332)
1%	\$ 157,332
2%	\$ 314,663

### *Investments*

Nodak Mutual’s fixed maturity and equity securities investments are classified as available-for-sale and carried at estimated fair value as determined by management based upon quoted market prices or a recognized pricing service at the reporting date for those or similar investments. Changes in unrealized investment gains or losses on Nodak Mutual’s investments, net of applicable income taxes, are reflected directly in equity as a component of comprehensive income (loss) and, accordingly, have no effect on net income (loss). Investment income is recognized when earned, and capital gains and losses are recognized when investments are sold, or other-than-temporarily impaired.

Nodak Mutual evaluates securities for other-than-temporary impairment (“OTTI”) at least on a quarterly basis. Nodak Mutual assesses whether OTTI is present when the fair value of a security is less than its amortized cost. All investment securities are evaluated for OTTI under FASB ASC Topic 320, “Investments — Debt & Equity Securities” (“ASC Topic 320”). Under ASC Topic 320, OTTI is considered to have occurred with respect to debt securities (1) if an entity intends to sell the security; (2) if it is more likely than not an entity will be required to sell the security before recovery of its amortized cost basis; or (3) the present value of the expected cash flows is not sufficient to recover the entire amortized cost basis. In addition, the amount of the OTTI recognized in earnings depends on whether an entity intends to sell or will more likely than not be required to sell the security. If an entity intends to sell the security or will be required to sell the security, the OTTI shall be recognized in earnings equal to the entire difference between the fair value and the amortized cost basis at the balance sheet date. If an entity does not intend to sell the security and it is not more likely than not that the entity will be required to sell the security before the recovery of its amortized cost basis, the OTTI shall be separated into two amounts, the credit-related loss and the noncredit-related loss. The credit-related loss is based on the present value of the expected cash flows and is recognized in earnings.

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The fair value and unrealized losses for Nodak Mutual's securities that were temporarily impaired as of June 30, 2016 and as of December 31, 2015 and December 31, 2014 are as follows:

	June 30, 2016 (unaudited)					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>Fixed maturities:</b>						
U.S. Government and agencies	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
States, territories and possessions and political subdivisions	—	—	817	(2)	817	(2)
Corporate securities	2,504	(19)	2,638	(554)	5,142	(573)
Residential mortgage-backed securities	—	—	—	—	—	—
Commercial mortgage-backed securities	—	—	—	—	—	—
Asset backed securities	—	—	—	—	—	—
Total fixed maturities	<u>2,504</u>	<u>(19)</u>	<u>3,455</u>	<u>(556)</u>	<u>5,959</u>	<u>(575)</u>
<b>Equity securities</b>						
Basic materials	16	(1)	—	—	16	(1)
Communications	265	(19)	—	—	265	(19)
Consumer, cyclical	42	(3)	395	(85)	437	(88)
Consumer, non-cyclical	332	(61)	—	—	332	(61)
Energy	27	(5)	336	(395)	363	(400)
Financial	59	(6)	—	—	59	(6)
Industrial	57	(3)	165	(29)	222	(32)
Technology	676	(132)	184	(2)	860	(134)
Total Equity securities	<u>1,458</u>	<u>(229)</u>	<u>1,080</u>	<u>(511)</u>	<u>2,538</u>	<u>(740)</u>
Total investments	<u>\$ 3,962</u>	<u>\$ (248)</u>	<u>\$ 4,535</u>	<u>\$ (1,067)</u>	<u>\$ 8,497</u>	<u>\$ (1,315)</u>
<b>2015</b>						
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	<b>Fixed maturities:</b>					
U.S. Government and agencies	\$ 798	\$ (7)	\$ 485	\$ (19)	\$ 1,283	\$ (26)
States, territories and possessions and political subdivisions	2,932	(30)	244	(6)	3,176	(36)
Corporate securities	21,139	(697)	2,465	(964)	23,604	(1,661)
Residential mortgage-backed securities	10,249	(123)	—	—	10,249	(123)
Commercial mortgage-backed securities	2,571	(22)	—	—	2,571	(22)
Asset backed securities	1,976	(20)	—	—	1,976	(20)
Total fixed maturities	<u>39,665</u>	<u>(899)</u>	<u>3,194</u>	<u>(989)</u>	<u>42,859</u>	<u>(1,888)</u>
<b>Equity securities</b>						
Communications	—	—	—	—	—	—
Consumer, cyclical	343	(162)	17	(2)	360	(164)
Consumer, non-cyclical	304	(63)	—	—	304	(63)
Energy	(24)	(318)	—	—	(24)	(318)
Financial	—	—	—	—	—	—
Industrial	727	(72)	—	—	727	(72)
Technology	652	(96)	159	(2)	811	(98)
Total Equity securities	<u>2,002</u>	<u>(711)</u>	<u>176</u>	<u>(4)</u>	<u>2,178</u>	<u>(715)</u>
Total investments	<u>\$41,667</u>	<u>\$ (1,610)</u>	<u>\$ 3,370</u>	<u>\$ (993)</u>	<u>\$45,037</u>	<u>\$ (2,603)</u>

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	2014					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>Fixed maturities:</b>						
U.S. Government and agencies	\$ —	\$ —	\$ 779	\$ (29)	\$ 779	\$ (29)
States, territories and possessions and political subdivisions	1,438	(6)	2,962	(46)	4,400	(52)
Corporate securities	7,471	(122)	3,600	(185)	11,071	(307)
Residential mortgage-backed securities	768	(1)	3,268	(36)	4,036	(37)
Commercial mortgage-backed securities	798	(3)	349	(7)	1,147	(10)
Asset backed securities	25	—	443	(7)	468	(7)
Total fixed maturities	<u>10,500</u>	<u>(132)</u>	<u>11,401</u>	<u>(310)</u>	<u>21,901</u>	<u>(442)</u>
<b>Equity securities</b>						
Communications	227	(31)	—	—	227	(31)
Consumer, cyclical	501	(51)	245	(21)	746	(72)
Consumer, non-cyclical	221	(13)	—	—	221	(13)
Energy	—	—	—	—	—	—
Financial	—	—	290	(5)	290	(5)
Industrial	—	—	131	(25)	131	(25)
Technology	522	(21)	—	—	522	(21)
Total Equity securities	<u>1,471</u>	<u>(116)</u>	<u>666</u>	<u>(51)</u>	<u>2,137</u>	<u>(167)</u>
Total investments	<u>\$11,971</u>	<u>\$ (248)</u>	<u>\$ 12,067</u>	<u>\$ (361)</u>	<u>\$24,038</u>	<u>\$ (609)</u>

Fair values of interest rate sensitive instruments may be affected by increases and decreases in prevailing interest rates which generally translate, respectively, into decreases and increases in fair values of fixed maturity investments. The fair values of interest rate sensitive instruments also may be affected by the credit worthiness of the issuer, prepayment options, relative values of other investments, the liquidity of the instrument, and other general market conditions.

For the year ended December 31, 2015, Nodak Mutual's fixed income portfolio experienced gross unrealized losses of \$1.9 million due to decreases in fair values. Most of the decrease in fair value in our fixed maturity portfolio was in industrial and miscellaneous fixed maturity investments as a result of increases in prevailing interest rates.

Nodak Mutual has evaluated each security and taken into account the severity and duration of any impairment, the current rating on the bond, and the outlook for the issuer according to independent analysts. Nodak Mutual's fixed maturity portfolio is managed by Conning Asset Management, which specializes in the handling of insurance company asset management.

Nodak Mutual monitors its investment portfolio and reviews securities that have experienced a decline in fair value below cost to evaluate whether the decline is other than temporary. When assessing whether the amortized cost basis of the security will be recovered, Nodak Mutual compares the present value of the cash flows likely to be collected, based on an evaluation of all available information relevant to the collectability of the security, to the amortized cost basis of the security. The shortfall of the present value of the cash flows expected to be collected in relation to the amortized cost basis is referred to as the "credit loss." If there is a credit loss, the impairment is considered to be other-than-temporary. If Nodak Mutual identifies that an other-than-temporary impairment loss has occurred, Nodak Mutual then determines whether it intends to sell the security, or if it is more likely than not that Nodak Mutual will be required to sell the security prior to recovering the amortized cost basis less any current-period credit losses. If Nodak Mutual determines that it does not intend to sell, and it is not more likely than not that Nodak Mutual will be required to sell the security, the amount of the impairment loss related to the credit loss will be recorded in earnings, and the remaining portion of the other-than-temporary impairment loss will be recognized in other comprehensive income (loss), net of tax. If Nodak Mutual determines that it intends to sell the security, or that it is more

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likely than not that Nodak Mutual will be required to sell the security prior to recovering its amortized cost basis less any current-period credit losses, the full amount of the other-than-temporary impairment will be recognized in earnings.

For the year ended December 31, 2015, Nodak Mutual recognized other-than-temporarily impairments of its investment securities of \$139,000. For the year ended December 31, 2014, Nodak Mutual recognized impairments totaling \$446,000. Adverse investment market conditions, or poor operating results of underlying investments, could result in impairment charges in the future.

### *Fair Value Measurements*

Nodak Mutual uses fair value measurements to record fair value adjustments to certain assets to determine fair value disclosures. Investment and mortgage-backed securities available for sale are recorded at fair value on a recurring basis. Additionally, from time to time, Nodak Mutual may be required to record at fair value other assets on a nonrecurring basis, such as certain investments and certain other assets. These nonrecurring fair value adjustments typically involve application of lower-of-cost-or-market accounting or write-downs of individual assets. FASB ASC Topic 820 "Fair Value Measurements and Disclosures" ("ASC Topic 820"), establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The three levels of the fair value hierarchy under ASC Topic 820 are as follows:

*Level 1:* Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

*Level 2:* Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability. Level 2 includes debt securities with quoted prices that are traded less frequently than exchange-traded instruments. Valuation techniques include matrix pricing which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted prices.

*Level 3:* Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

Under ASC Topic 820, Nodak Mutual bases its fair values on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is our policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy in FASB ASC Topic 820. Fair value measurements for assets where there exists limited or no observable market data and, therefore, are based primarily upon Nodak Mutual's or other third-party's estimates, are often calculated based on the characteristics of the asset, the economic and competitive environment and other such factors. Management uses its best judgment in estimating the fair value of Nodak Mutual's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts Nodak Mutual could have realized in a sale transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective period end and have not been re-evaluated or updated for purposes of our financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each period-end. Additionally, changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future valuations.

Nodak Mutual uses quoted values and other data provided by independent pricing services in its process for determining fair values of its investments. The evaluations of such pricing services represent an exit price and a good faith opinion as to what a buyer in the marketplace would pay for a security in a current sale. This pricing service provides Nodak Mutual with one quote per instrument. For fixed maturity securities that have quoted prices in active markets, market quotations are provided. For fixed maturity securities that do not trade on a daily basis, the independent pricing service prepares estimates of fair value using a wide array of observable inputs including relevant market information, benchmark curves, benchmarking of like securities,

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sector groupings, and matrix pricing. The observable market inputs that Nodak Mutual's independent pricing service utilizes may include (listed in order of priority for use) benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, market bids/offers, and other reference data on markets, industry, and the economy. Additionally, the independent pricing service uses an option adjusted spread model to develop prepayment and interest rate scenarios. The pricing service did not use broker quotes in determining fair values of Nodak Mutual's investments.

Should the independent pricing service be unable to provide a fair value estimate, Nodak Mutual attempts to obtain a non-binding fair value estimate from a number of broker-dealers and reviews this estimate in conjunction with a fair value estimate reported by an independent business news service or other sources. In instances where only one broker-dealer provides a fair value for a fixed maturity security, Nodak Mutual uses that estimate. In instances where Nodak Mutual is able to obtain fair value estimates from more than one broker-dealer, Nodak Mutual reviews the range of estimates and selects the most appropriate value based on the facts and circumstances. Should neither the independent pricing service nor a broker-dealer provide a fair value estimate, Nodak Mutual develops a fair value estimate based on cash flow analyses and other valuation techniques that utilize certain unobservable inputs. Accordingly, Nodak Mutual classifies such a security as a Level 3 investment.

The fair value estimates of Nodak Mutual's investments provided by the independent pricing service at December 31, 2015 and 2014, were utilized, among other resources, in reaching a conclusion as to the fair value of its investments.

Management reviews the reasonableness of the pricing provided by the independent pricing service by employing various analytical procedures. Management reviews all securities to identify recent downgrades, significant changes in pricing, and pricing anomalies on individual securities relative to other similar securities. This will include looking for relative consistency across securities in common sectors, durations, and credit ratings. This review will also include all fixed maturity securities rated lower than "A" by Moody's or S&P. If, after this review, management does not believe the pricing for any security is a reasonable estimate of fair value, then it will seek to resolve the discrepancy through discussions with the pricing service. In its review, management did not identify any such discrepancies for the years ended December 31, 2015 and 2014, and no adjustments were made to the estimates provided by the pricing service for the years ended December 31, 2015 and 2014. The classification within the fair value hierarchy of ASC 820, Fair Value Measurement, is then confirmed based on the final conclusions from the pricing review.

### *Deferred Policy Acquisition Costs*

Certain direct acquisition costs consisting of commissions, premium taxes and certain other direct underwriting expenses that vary with and are primarily related to the production of business are deferred and amortized over the effective period of the related insurance policies as the underlying policy premiums are earned. At June 30, 2016 and as December 31, 2015 and 2014, deferred acquisition costs and the related unearned premium reserves were as follows (dollars in thousands):

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	(unaudited)		
Deferred acquisition costs	\$ 10,577	\$ 8,444	\$ 7,240
Unearned premium reserves	\$ 74,358	\$ 53,487	\$ 49,895

The method followed in computing deferred acquisition costs limits the amount of deferred costs to their estimated realizable value, which gives effect to the premium to be earned, related investment income, loss and loss adjustment expenses, and certain other costs expected to be incurred as the premium is earned. Future changes in estimates, the most significant of which is expected loss and loss adjustment expenses, may require adjustments to deferred policy acquisition costs. If the estimation of net realizable value indicates that the deferred acquisition costs are not recoverable, they would be written off or a premium deficiency reserve would be established.



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### *Income Taxes*

Nodak Mutual uses the asset and liability method of accounting for income taxes. Deferred income taxes arise from the recognition of temporary differences between financial statement carrying amounts and the tax bases of our assets and liabilities. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. The effect of a change in tax rates is recognized in the period of the enactment date.

Nodak Mutual had gross deferred tax assets of \$6.4 million at December 31, 2015. A valuation allowance is required to be established for any portion of the deferred tax asset for which Nodak Mutual believes it is more likely than not that it will not be realized. A valuation allowance of \$1.1 had been established at December 31, 2015 and 2014.

Nodak Mutual exercises significant judgment in evaluating the amount and timing of recognition of the resulting tax liabilities and assets. These judgments require Nodak Mutual to make projections of future taxable income. The judgments and estimates Nodak Mutual makes in determining its deferred tax assets, which are inherently subjective, are reviewed on a continual basis as regulatory and business factors change. Any reduction in estimated future taxable income may require Nodak Mutual to record a valuation allowance against its deferred tax assets.

As of December 31, 2015, Nodak Mutual had no material unrecognized tax benefits or accrued interest and penalties. Federal tax years 2012 through 2015 are open for examination.

### **Results of Operations**

#### *For the Six Months Ended June 30, 2016*

Nodak Mutual's consolidated direct premiums written increased by approximately 8.68% for the six months ended June 30, 2016 as compared to the same period in 2015, while net premiums earned during the first half of 2016 increased by approximately 14.1% over net premiums earned in the first half of 2015. The increase in direct premiums written and net premiums earned resulted from an increase in premiums written in Nodak Mutual's private passenger auto and homeowners lines of business.

Although net investment income increased by \$229,000 from the first half of 2015 to the first half of 2016, net realized gain on investments decreased by approximately \$509,000 to \$219,000 in 2016 from approximately \$728,000 when comparing the same two periods. Other revenue also decreased by approximately \$32,000 to \$812,000 in 2016. As a result, total revenue increased by approximately 12.8% to \$70.6 million in the six months ended June 30, 2016 when compared to total revenue of \$62.6 million in the first six months of 2015.

Total expenses for the first six months of 2016 increased to \$63.6 million from \$56.5 million in the first six months of 2015, an increase of 12.5%. The increase in total expenses is mainly attributable to an increase in loss and loss adjustment expense of \$5.0 million, or 13.3% when comparing the first half of 2016 to the first half of 2015.

As a result of the increase in total revenues, Nodak Mutual's net income increased from \$4.1 million in the first six months of 2015 to \$4.5 million in the first six months of 2016, an increase of 9.8%.

The following table sets forth Nodak Mutual's expense ratio, loss ratio and combined ratio for the six months ended June 30, 2016 and 2015 and for the years ended December 31, 2015 and 2014.

	<u>For the six months ended June 30,</u>		<u>For the Year ended December 31,</u>	
	<u>2016</u>	<u>2015</u>	<u>2015</u>	<u>2014</u>
Expense ratio	31.2%	32.1%	26.2%	21.4%
Loss ratio	63.3%	63.8%	60.1%	67.7%
Combined ratio	94.5%	95.9%	86.3%	89.1%

#### *For the Years ended December 31, 2015 and 2014*

Nodak Mutual's results of operations are influenced by factors affecting the property and casualty insurance and crop insurance industries in general. The operating results of the United States property and

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casualty industry and crop insurance industry are subject to significant variations due to competition, weather, catastrophic events, changes in regulation, general economic conditions, rising medical expenses, judicial trends, fluctuations in interest rates and other changes in the investment environment.

Nodak Mutual premium levels and underwriting results have been, and continue to be, influenced by market conditions. Pricing in the property and casualty insurance industry historically has been cyclical. During a soft market cycle, price competition is more significant than during a hard market cycle and makes it difficult to attract and retain properly priced commercial business. The markets Nodak Mutual serves and national property and casualty insurance markets are currently experiencing a soft market cycle. Therefore, it is generally unlikely that insurers will be able to increase their rates or profit margins. A soft market typically has a negative effect on premium growth, which can include absolute reductions in premiums written.

Premiums in the crop insurance business are mainly influenced by the number of acres planted and types of crops insured because the pricing is set by the RMA.

The major components of Nodak Mutual's operating revenues and net income (loss) are as follows (dollars in thousands):

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>		
Net premiums earned	\$ 139,473	\$ 131,947
Investment income, net of investment expense	\$ 4,184	\$ 4,133
Realized investment gains, net	823	1,073
Fee income	1,709	561
Other income	145	54
Total revenues	<u>\$ 146,334</u>	<u>\$ 137,768</u>
<b>Components of net income:</b>		
Underwriting (loss) income:	\$ 19,012	\$ 14,387
Investment income, net of investment expense	4,184	4,133
Realized investment gains (losses), net	823	1,073
Other income (expense), net	1,854	615
Income, before income taxes	25,873	20,208
Income tax expense	8,288	6,396
Net income before noncontrolling interest	<u>\$ 17,585</u>	<u>\$ 13,812</u>

### *Premiums Written and Premiums Earned*

Nodak Mutual's premiums earned increased 5.7% for the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily due to growth in our personal lines business outside of North Dakota.

### *Net Investment Income*

The following table sets forth our average cash and invested assets, investment income, and return on average cash and invested assets for the reported periods (dollars in thousands):

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Average cash and invested assets	\$ 197,991	\$ 183,515
Net investment income	\$ 4,184	\$ 4,133
Return on average cash and invested assets	2.1%	2.3%

Investment income, net of investment expense, increased approximately \$51,000 for the year ended December 31, 2015 compared to 2014. This increase is attributable to an increase in invested assets, as cash and invested assets increased from \$186.2 million at December 31, 2014 to \$197.8 million at December 31,

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2015. This increase more than offset a decrease in the weighted average yield on invested assets from 2.3% in 2014 to 2.1% in 2015 as higher yielding fixed maturity securities matured and were replaced with lower yielding securities.

### *Realized Investment Gains (Losses), Net*

Nodak Mutual had realized investment gains of approximately \$823,000 for the year ended December 31, 2015, compared to investment gains of \$1.1 million for the year ended December 31, 2014.

Nodak Mutual's fixed maturity investments and equity investments are classified as available for sale because it will, from time to time, make sales of securities that are not impaired, consistent with our investment goals and policies. Nodak Mutual had net unrealized gains on fixed maturity securities of \$2.1 million at December 31, 2015 and net unrealized gains of \$4.6 at December 31, 2014. Most of these unrealized losses were attributable to the increase in interest rates. Nodak Mutual has evaluated each security and taken into account the severity and duration of the impairment, the current rating on the bond, and the outlook for the issuer according to independent analysts. Nodak Mutual believes that the foregoing declines in fair value in its existing portfolio are most likely attributable to short-term market trends and there is no evidence that it will not recover the entire amortized cost basis.

### *Underwriting Income (Loss)*

As discussed above, Nodak Mutual evaluates its insurance operations by monitoring certain key measures of growth and profitability. In addition to using GAAP based performance measurements, Nodak Mutual also utilizes certain non-GAAP financial measures that are used widely in the property and casualty insurance industry and that it believes are valuable in managing its business and for comparison to its peers. These non-GAAP measures are underwriting income (loss), expense ratio, loss and LAE ratio, combined ratio, written premiums, net written premiums to statutory surplus ratio, and return on average equity.

Underwriting income (loss) measures the pretax profitability of a company's insurance business. It is derived by subtracting loss and loss adjustment expenses, amortization of deferred policy acquisition costs, and underwriting and administrative expenses from earned premiums. Each of these captions is presented in our statements of operations but not subtotaled. The sections below provide more insight into the variances in the categories of loss and loss adjustment expenses and amortization of deferred policy acquisition costs and underwriting and administrative expense, which impact underwriting profitability.

### *Loss and Loss Adjustment Expenses*

Nodak Mutual's loss and LAE ratio decreased to 60% in 2015, compared to 68% for the same period in 2014, primarily due to loss and loss adjustment expenses decreasing 8% in 2015 compared to 2014, due primarily to decreased losses on its crop insurance products in 2015.

Nodak Mutual realized favorable development on prior accident years of \$8.9 million in 2015 with respect to its traditional property and casualty products. The net favorable development for the year 2015 is primarily the result of prior years' claims settling for less than originally estimated. Adjustments to our original estimates resulting from claims are not made until the period in which there is reasonable evidence that an adjustment to the reserve is appropriate.

### *Amortization of Deferred Policy Acquisition Costs and Underwriting and Administrative Expenses*

Total underwriting and administrative expenses, including amortization of deferred policy acquisition costs, increased \$8.3 million in 2015, or 29.5% higher than in 2014. This increase is due to an increase of \$2.1 million in amortization of deferred policy acquisition costs and an increase of \$6.2 million in other underwriting and general expenses.

### *Income Before Income Taxes*

For the year ended December 31, 2015, Nodak Mutual had pre-tax income of \$25.9 million compared to pre-tax income of \$20.2 million for the year ended December 31, 2014. The increase in pre-tax income was largely attributable to the decrease in loss and loss adjustment expense in the crop insurance line.

### *Income Tax Expense*

Nodak Mutual recorded income tax expense of \$8.3 million for the year ended December 31, 2015, compared to \$6.4 million of income tax expense for the year ended December 31, 2014. Our effective tax rate

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for 2015 was 32.0% compared to an effective tax rate of 31.7% for 2014. The increase in the effective tax rate was the result of an increase in pre-tax income with no significant changes in permanent tax adjustments.

### *Net Income*

For the year ended December 31, 2015, Nodak Mutual had net income after noncontrolling interest of \$17.6 million compared to net income after noncontrolling interest of \$13.8 million for 2014. This increase in net income is primarily attributable to reduced loss and loss adjustment expense in the company's crop insurance business.

### *Return on Average Equity*

For the year ended December 31, 2015, Nodak Mutual had average return on equity, after noncontrolling interest, of 12.2% compared to average return on equity, after noncontrolling interest, of 10.8% for the year ended December 31, 2014. Average equity was calculated as the average between beginning and ending equity for the year.

### *Mandatory Assumed Reinsurance*

Nodak Mutual is required to participate in the North Dakota Insurance Guaranty Association (NDIGA), which was formed to pay claims on policies issued by insolvent North Dakota domiciled property and casualty insurers. Each North Dakota domiciled property and casualty insurer pays NDIGA an annual assessment based on its direct premiums written in North Dakota. Nodak Mutual paid no assessments in 2015 and 2014.

## **Financial Position**

At June 30, 2016, Nodak Mutual had total assets of \$322.5 million, compared to total assets of \$258.6 million at December 31, 2015. At June 30, 2016, total liabilities were \$164.6 million, compared to \$108.7 million at December 31, 2015. The \$55.9 million increase was primarily due to the increase of approximately \$20.8 million in unearned premiums and an increase of \$21.8 million in the reserve for unpaid loss and LAE. The reserve for unpaid loss and LAE was \$45.3 million at December 31, 2015, compared to \$67.1 million at June 30, 2016. This increase was due primarily to a significant increase in weather related losses incurred during the second quarter of 2016 as a result of multiple weather events.

Total equity increased to \$157.9 million at June 30, 2016, from \$149.9 million as of December 31, 2015, an increase of approximately \$8.0 million, or 5.3%. The increase in equity primarily reflects net income of \$4.5 million in the first half of 2016 and improvements in the market value of Nodak Mutual's portfolio of fixed income investment securities.

At December 31, 2015, Nodak Mutual had total assets of \$258.6 million, compared to total assets of \$247.2 million at December 31, 2014.

At December 31, 2015, total liabilities were \$108.7 million, compared to \$111.5 million at December 31, 2014. The \$2.8 million decrease was primarily due to a decline in reserves for unpaid loss and LAE. The reserve for unpaid loss and LAE was \$50.5 million at December 31, 2014, compared to \$45.3 million at December 31, 2015. This decrease was due primarily to crop and weather related losses in 2014.

Total equity after noncontrolling interest increased to \$149.9 million at December 31, 2015, from \$135.7 million as of December 31, 2014, an increase of approximately \$14.2 million, or 10.5%. The increase in equity primarily reflects net income of \$17.6 million in 2015, which was partially offset by unrealized losses of \$3.4 million reflected in other comprehensive income.

## **Effect of Conversion on Nodak Mutual**

As a result of the conversion, Nodak Mutual will convert from a mutual insurance company to a stock insurance company and become a wholly owned subsidiary of Nodak Holdings, Inc. Upon completion of the conversion and the offering, the pro forma shareholders' equity of NI Holdings will be between \$227.8 million and \$254.8 million. See "Use of Proceeds." This increased capitalization should (i) enhance investment income by increasing our investment portfolio, and (ii) provide capital to permit NI Holdings to seek acquisitions and other diversification opportunities.

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### Liquidity and Capital Resources

Nodak Mutual generates sufficient funds from its operations and maintains a high degree of liquidity in its investment portfolio to meet the demands of claim settlements and operating expenses. The primary sources of funds are premium collections, investment earnings and maturing investments.

Nodak Mutual maintains investment and reinsurance programs that are intended to provide sufficient funds to meet its obligations without forced sales of investments. Nodak Mutual maintains a portion of its investment portfolio in relatively short-term and highly liquid assets to ensure the availability of funds.

The following table summarizes, as of December 31, 2015, Nodak Mutual's future payments and estimated claims and claims related payments for continuing operations.

<u>Contractual Obligations</u>	<u>Payments due by period (Dollars in thousands)</u>				
	<u>Total</u>	<u>Less than 1 year</u>	<u>1 – 3 years</u>	<u>3 – 5 years</u>	<u>More than 5 years</u>
Estimated gross loss & loss adjustment expense payments	\$ 40,234	\$ 24,145	\$ 14,601	\$ 1,315	\$ 173
Operating lease obligations	244	134	110	0	0
Total	\$ 40,478	\$ 24,279	\$ 14,711	\$ 1,135	\$ 173

The timing of the amounts of the gross loss and loss adjustment expense payments is an estimate based on historical experience and the expectations of future payment patterns. However, the timing of these payments may vary from the amounts stated above.

Cash flows from continuing operations for the years ended December 31, 2015 and 2014 were as follows (dollars in thousands):

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Cash flows provided by operating activities	\$ 17,177	\$ 10,410
Cash flows provided by (used in) investing activities	(24,385)	(3,047)
Cash flows used in financing activities	0	0
Net increase (decrease) in cash and cash equivalents	\$ (7,208)	\$ 7,363

For the year ended December 31, 2015, cash flows from operating activities totaled \$17.2 million compared to \$10.4 million for the year ended December 31, 2014. This increase in cash flows from operating activities was primarily due to the decrease in loss payments to insureds. Cash flows used in investing activities totaled \$24.4 million for the year ended December 31, 2015, compared to \$3.0 million in 2014, primarily reflecting the investment of cash generated by operations.

NI Holdings' principal source of liquidity will be dividend payments from Nodak Insurance Company. Nodak Insurance Company will be restricted by the insurance laws of North Dakota as to the amount of dividends or other distributions it may pay to NI Holdings. North Dakota law sets the maximum amount of dividends that may be paid by Nodak Insurance Company during any twelve-month period after notice to, but without prior approval of, the North Dakota Insurance Department. This amount cannot exceed the lesser of (i) 10% of the insurance company's surplus as regards policyholders as of the preceding December 31, or (ii) the insurance company's statutory net income for the preceding calendar year (excluding realized capital gains), less any prior dividends paid during such twelve-month period. In addition, any insurance company other than a life insurance company may carry forward net income from the preceding two calendar years, not including realized capital gains, less any dividends actually paid during those two calendar years. Dividends in excess of this amount are considered "extraordinary" and are subject to the approval of the North Dakota Insurance Department.

The amount available for payment of dividends from Nodak Insurance Company after the conversion without the prior approval of the North Dakota Insurance Department is approximately \$13.6 million based upon the policyholders' surplus of Nodak Insurance Company at December 31, 2015. Prior to its payment of any extraordinary dividend, Nodak Insurance Company will be required to provide notice of the dividend to

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the North Dakota Insurance Department. This notice must be provided to the North Dakota Insurance Department 30 days prior to the payment of an extraordinary dividend and 10 days prior to the payment of an ordinary dividend. The North Dakota Insurance Department has the power to limit or prohibit dividend payments if Nodak Insurance Company is in violation of any law or regulation. These restrictions or any subsequently imposed restrictions may affect our future liquidity.

Upon completion of the offering, NI Holdings will become a public company and will become subject to the proxy solicitation, periodic reporting, insider trading and other requirements of the Exchange Act and to most of the provisions of the Sarbanes-Oxley Act of 2002. As a result, NI Holdings anticipates incurring significant increases in expenses related to accounting and legal services that will be necessary to comply with such requirements. We estimate that the cost of initial compliance with the requirements of the Sarbanes-Oxley Act will be approximately \$350,000 and that compliance with the ongoing requirements of the Exchange Act and the Sarbanes-Oxley Act will result in an increase of approximately \$300,000 in annual operating expenses.

### **Off-Balance Sheet Arrangements**

Nodak Mutual has no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital reserves.

### **Quantitative and Qualitative Information about Market Risk**

#### *Market Risk*

Market risk is the risk that a company will incur losses due to adverse changes in the fair value of financial instruments. Nodak Mutual has exposure to three principal types of market risk through its investment activities: interest rate risk, credit risk and equity risk. Nodak Mutual's primary market risk exposure is to changes in interest rates. Nodak Mutual has not entered, and does not plan to enter, into any derivative financial instruments for hedging, trading or speculative purposes.

#### *Interest Rate Risk*

Interest rate risk is the risk that a company will incur economic losses due to adverse changes in interest rates. Nodak Mutual's exposure to interest rate changes primarily results from its significant holdings of fixed rate investments. Fluctuations in interest rates have a direct impact on the fair value of these securities.

The average maturity of the debt securities in Nodak Mutual's investment portfolio at December 31, 2015, was 5.5 years. Nodak Mutual's debt securities investments include U.S. government bonds, securities issued by government agencies, obligations of state and local governments and governmental authorities, and corporate bonds, most of which are exposed to changes in prevailing interest rates and which may experience moderate fluctuations in fair value resulting from changes in interest rates. Nodak Mutual carries these investments as available for sale. This allows Nodak Mutual to manage its exposure to risks associated with interest rate fluctuations through active review of its investment portfolio by its management and board of directors and consultation with our outside investment manager.

Fluctuations in near-term interest rates could have an impact on Nodak Mutual's results of operations and cash flows. Certain of these securities may have call features. In a declining interest rate environment these securities may be called by their issuer and replaced with securities bearing lower interest rates. If Nodak Mutual is required to sell these securities in a rising interest rate environment it may recognize losses.

As a general matter, Nodak Mutual attempts to match the durations of its assets with the durations of its liabilities. Nodak Mutual's investment objectives include maintaining adequate liquidity to meet its operational needs, optimizing its after-tax investment income, and its after-tax total return, all of which are subject to Nodak Mutual's tolerance for risk.

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The table below shows the interest rate sensitivity of Nodak Mutual's fixed maturity investments measured in terms of fair value (which is equal to the carrying value for all of its investment securities that are subject to interest rate changes) at December 31, 2015:

<u>Hypothetical Change in Interest Rate</u>	<u>Estimated Change in Fair Value</u>	<u>Fair Value</u>
	(Dollars in thousands)	
200 basis point increase	\$ (14,538)	\$ 140,098
100 basis point increase	\$ (7,375)	\$ 147,261
No change	—	\$ 154,635
100 basis point decrease	\$ 7,153	\$ 161,789
200 basis point decrease	\$ 11,969	\$ 166,605

### *Credit Risk*

Credit risk is the potential economic loss principally arising from adverse changes in the financial condition of a specific debt issuer. Nodak Mutual addresses this risk by investing primarily in fixed maturity securities that are rated investment grade and at least 100% of its investment securities must be rated at least investment grade by Moody's or an equivalent rating quality. Nodak Mutual also independently, and through its outside investment manager, monitors the financial condition of all of the issuers of fixed maturity securities in the portfolio. To limit its exposure to risk, Mutual employs diversification rules that limit the credit exposure to any single issuer or asset class.

### *Equity Risk*

Equity price risk is the risk that Nodak Mutual will incur economic losses due to adverse changes in equity prices.

### **Impact of Inflation**

Inflation increases consumers' needs for property and casualty insurance due to the increase in the value of the property insured and any potential liability exposure. Inflation also increases claims incurred by property and casualty insurers as property repairs, replacements, and medical expenses increase. These cost increases reduce profit margins to the extent that rate increases are not implemented on an adequate and timely basis. Nodak Mutual establishes insurance premiums levels before the amount of loss and loss expenses, or the extent to which inflation may impact these expenses, are known. Therefore, Nodak Mutual attempts to anticipate the potential impact of inflation when establishing rates. Because inflation has remained relatively low in recent years, financial results have not been significantly affected by it.

### **Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (the "FASB") issued guidance that requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. While the guidance will replace most existing GAAP revenue recognition guidance, the scope of the guidance excludes insurance contracts. The new standard is effective on January 1, 2018. The standard permits the use of either the retrospective or the cumulative effect transition method. We do not expect the adoption of this new guidance to have a significant impact on our financial position, results of operations or cash flows.

In February 2015, the FASB issued a new standard that amends the current consolidation guidance affecting both the variable interest entity ("VIE") and voting interest entity ("VOE") consolidation models. The standard does not add or remove any of the characteristics in determining if an entity is a VIE or a VOE, but rather, the standard enhances assessment of some of these characteristics. The new standard is effective on December 15, 2015. The adoption of this new guidance did not have a significant impact on our financial position, results of operations or cash flows.

In May 2015, the FASB issued guidance that removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The guidance also removes the requirement to make certain disclosures for all investments that are

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eligible to be measured at fair value using the net asset value per share practical expedient. The guidance instead limits disclosure to investments for which the entity has elected to measure fair value using that practical expedient. The guidance is effective for annual reporting periods beginning after December 15, 2015, and interim reporting periods within those annual reporting periods. The adoption of this new guidance did not have a significant impact on our financial position, results of operations or cash flows.

In May 2015, the FASB issued guidance that requires entities to provide additional disclosures about their liability for unpaid claims and claim adjustment expenses to increase the transparency of significant estimates. The guidance also requires entities to disclose information about significant changes in methodologies and assumptions used to calculate the liability for unpaid claims and claim adjustment expenses, including the reasons for the changes and the effects on the entities' financial statements, and the timing, frequency and severity of claims. The guidance also requires entities to disclose a roll forward of the liability for unpaid claims and claim adjustment expenses for annual and interim reporting periods. The guidance is effective for annual reporting periods beginning after December 15, 2015, and interim reporting periods within annual reporting periods beginning after December 15, 2016. We do not expect the adoption of this new guidance to have a significant impact on our financial position, results of operations or cash flows.

In January 2016, the FASB issued guidance that generally requires entities to measure equity investments at fair value and recognize changes in fair value in their results of operations. The guidance also simplifies the impairment assessment of equity investments, without readily determinable fair values by requiring entities to perform a qualitative assessment to identify impairment. The FASB issued other disclosure and presentation improvements related to financial instruments within the guidance. The guidance is effective for annual and interim reporting periods beginning after December 15, 2017. As a result of this guidance, we will reflect changes in the fair value of our equity investments in our results of operations beginning January 1, 2018.

In February 2016, the FASB issued guidance that requires lessees to recognize leases, including operating leases, on the lessee's balance sheet, unless a lease is considered a short-term lease. The guidance also requires entities to make new judgments to identify leases. The guidance is effective for annual and interim reporting periods beginning after December 15, 2018 and permits early adoption. We do not expect the adoption of this new guidance to have a significant impact on our financial position, results of operations or cash flows.



## DESCRIPTION OF OUR BUSINESS

### Overview

NI Holdings is a North Dakota business corporation that was formed for the purpose of becoming the stock holding company of Nodak Insurance Company in connection with the conversion. Prior to completion of the offering and the conversion, NI Holdings will have conducted no business and will have no assets or liabilities. As a result of the conversion, NI Holdings will become the holding company for Nodak Insurance Company and its existing subsidiaries.

Nodak Mutual was formed in 1946 to offer property and casualty insurance to members of the North Dakota Farm Bureau. Nodak Mutual's bylaws provide that a person must be a member and remain a member of the North Dakota Farm Bureau in order to become and remain a policyholder of Nodak Mutual. Such bylaws also require that certain members of the board of directors of Nodak Mutual must be members of the North Dakota Farm Bureau. The bylaws of Nodak Insurance Company continue to require policyholders to be members of the North Dakota Farm Bureau and provide that four members of the board of directors of Nodak Insurance Company must be members of the board of directors of the North Dakota Farm Bureau. Similarly, one-third of the members of the board of directors of Nodak Mutual Group must be persons designated by the North Dakota Farm Bureau.

The North Dakota Farm Bureau has granted Nodak Mutual a nonexclusive, nontransferable license to use the name "Farm Bureau" and the "FB" logo and associated trademarks to market Nodak Mutual products, including insurance products. Nodak Mutual has held this license since the insurance company's inception in 1946, and the current version of the license agreement has been in place since 2002. Although the current license agreement expires on October 1, 2016, the license agreement has historically been renewed annually by a vote of the Nodak Mutual board of directors. Under the license agreement, Nodak Mutual is required to pay to the North Dakota Farm Bureau an annual royalty payment equal to 1.3% of Nodak Mutual's written premiums (excluding multi-peril crop insurance premiums), subject to a maximum royalty payment of \$1,269,728 and a minimum payment of \$900,000. The maximum royalty payment is adjusted annually based upon the Consumer Price Index as of June 1.

Nodak Mutual's subsidiaries include American West Insurance Company and Primero Insurance Company. Battle Creek Mutual Insurance Company is an affiliate of Nodak Mutual. A more complete description of each of the Nodak Mutual subsidiaries is included below. Nodak Mutual and Battle Creek have been assigned an "A" rating by AM Best, which is the third highest out of 15 possible ratings. American West is rated B++ and Primero is unrated. The consolidated financial statements of Nodak Mutual presented herein reflect the consolidated financial position and results of operations of Nodak Mutual, American West, Battle Creek and Primero. Each of the insurance companies is subject to examination and comprehensive regulation by the insurance department of its state of domicile.

Nodak Mutual writes multi-peril crop, crop hail, private passenger automobile, farmowners, homeowners, and commercial property and liability policies in North Dakota. Only members of the North Dakota Farm Bureau Federation can purchase insurance coverage from Nodak Mutual. Nodak Mutual distributes its insurance products through approximately 65 exclusive agents appointed by Nodak Mutual.

At December 31, 2015, Nodak Mutual had consolidated assets and surplus of \$258.6 million and \$149.9 million, respectively, and for the year ended December 31, 2015, Nodak Mutual had consolidated direct premiums written of \$172.8 million, net premiums written of \$143.1 million and net income after noncontrolling interest of \$17.5 million. For the six months ended June 30, 2016, Nodak Mutual had consolidated direct premiums written of \$91.8 million, consolidated net premiums written of \$88.1 million, and consolidated net income of \$4.5 million.

The executive offices of Nodak Mutual are located at 1101 1<sup>st</sup> Avenue North, Fargo, North Dakota 58102, and its phone number is 701-298-4200. Nodak Mutual's web site address is [www.nodakmutual.com](http://www.nodakmutual.com). Information contained on such website is not incorporated by reference into this prospectus, and such information should not be considered to be part of this prospectus.

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### ***American West Insurance Company (“American West”)***

American West is licensed to write insurance in eight states in the Midwest and Western regions of the United States, but currently issues policies in South Dakota, Minnesota, and North Dakota. American West currently issues multi-peril crop, crop hail, farmowners, private passenger auto and homeowners insurance primarily in South Dakota. American West distributes its products through independent agents located in approximately 104 offices.

### ***Battle Creek Mutual Insurance Company (“Battle Creek”)***

Battle Creek issues private passenger automobile, homeowners, and farmowners policies in Nebraska. Battle Creek distributes its policies through independent agents located in approximately 288 offices. Battle Creek became affiliated with Nodak Mutual in 2011, and Nodak Mutual provides underwriting, claims management, policy administrative and other administrative services to Battle Creek. Under a 100% quota share reinsurance agreement, Battle Creek cedes 100% of its net premium income to Nodak Mutual and Nodak Mutual fully reinsures all of Battle Creek’s risk under its insurance policies. In connection with entering into the affiliation agreement, Nodak Mutual purchased a \$3.0 million surplus note issued by Battle Creek. The surplus note bears interest at an annual rate of 1.0% and is payable on December 30, 2040. Battle Creek must obtain the prior approval of the Nebraska Director of Insurance before making any payment of interest or principal on the surplus note.

Pursuant to the affiliation agreement, so long as the surplus note remains outstanding or the 100% quota share reinsurance is in effect, Nodak Mutual is entitled to appoint two-thirds of the directors of Battle Creek. The affiliation agreement can be terminated by mutual written agreement of Battle Creek and Nodak Mutual or by either party if there is a material breach of the agreement by the other party and such breach is not cured within 15 days after written notice of such breach is given by the terminating party to the other party. If Battle Creek terminated the quota share reinsurance agreement, it would not have sufficient statutory capital to continue to operate.

### ***Primero Insurance Company (“Primero”)***

Primero writes only non-standard automobile insurance in Nevada, Arizona, North Dakota and South Dakota. Primero was acquired by Nodak Mutual in 2014. Primero distributes its policies through approximately 612 independent agents.

## **Crop Insurance**

Crop insurance is purchased by agricultural producers, including farmers, ranchers, and others to protect themselves against either the loss of their crops due to natural disasters, such as hail, drought, and floods, or the loss of revenue due to declines in the prices of agricultural products. The two general categories of crop insurance are called crop-yield insurance and crop-revenue insurance. Crop-yield insurance protects against a reduction in the yield per acre from the historical average yield in a specified area, such as a county or National Oceanic and Atmospheric Administration weather grid, while crop-revenue insurance also provide protection against declines in the price of the particular crop. Most of the multi-peril crop insurance policies written provide the policyholder with the option to calculate price-based losses on the higher of the prevailing price when the crop is planted or the price at harvest.

Beginning in 1980, the U.S. Congress expanded the federal crop insurance program to cover more crops and regions of the country. More importantly, Congress permitted private sector insurers to market and administer federal insurance policies in exchange for an opportunity to earn a profit through bearing a portion of the risk. Congress also authorized a premium subsidy for the farmers and ranchers. As a result, there was a rapid increase in the acres insured from approximately 26 million acres in 1980 to 100 million acres in 1990. The Federal Crop Insurance Reform Act of 1994 made participation in the crop insurance program mandatory for farmers to be eligible to participate in other government support programs and provided a minimum level of free catastrophic risk coverage for insured and noninsured crops. In 2015, there were approximately 23.1 million acres insured in North Dakota, 16.2 million acres in South Dakota, 17.7 million acres in Minnesota and 298.6 million acres nationwide. Nodak Mutual, through its Battle Creek affiliate, writes a very small amount of crop insurance in Nebraska. Nodak Mutual crop insurance policies cover approximately

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1.9 million acres in North Dakota, and American West crop insurance policies cover approximately 14,000 acres in South Dakota and approximately 90,000 acres in Minnesota.

### **Market Overview**

We are the third largest property and casualty insurer in North Dakota where we had 2015 direct written premium of \$134.5 million representing 5.4% of a \$2.5 billion market. In our other primary markets we have a much smaller market presence. We are the 44<sup>th</sup> largest writer in the \$4.5 billion Nebraska market, the 88<sup>th</sup> largest writer in the \$2.4 billion South Dakota market, and the 325<sup>th</sup> largest writer in the \$11.0 billion Minnesota market where we focus almost exclusively on multi-peril crop insurance.

### **Organic Growth Strategy**

Given our market presence in each of its key states, we believe we have ample opportunity to increase business in our primary markets organically. Strategies we employ to grow organically include:

- Continued emphasis on our relationship with the North Dakota Farm Bureau, a key advocacy group for agricultural and rural interests that enjoys a high and favorable profile throughout the state;
- Using the cost advantage created by our low expense ratio compared to peers (26.2% expense ratio in 2015 compared to an average expense ratio of our peers of 31.25%) to selectively expand market share in our primary markets;
- Expansion and enhancement of agency relationships in Nebraska and South Dakota, including the use of technology such as mobile apps, on-line quoting, and policy issuance initiatives to make it easy for independent agents and insureds to do business with us;
- Selective expansion of Primero in its core markets of Nevada and Arizona as well as expansion of the nonstandard auto product in our core upper Midwest market area;
- Excellent claims service for all insureds; and
- Selective expansion of our participation in the federal multi-peril crop insurance program where we have experience and have developed expertise.

### **External Growth Strategy**

We successfully acquired Primero in 2014 and acquired control of Battle Creek in 2011. American West was acquired in 2001. We believe that with the additional capital we will raise through this offering, we will be able to continue selectively making acquisitions that complement our strategy. Areas of interest include acquisition of a commercial writer and geographic expansion. The acquisition of a commercial writer would help us better balance our book of business among personal lines insurance, multi-peril crop insurance and commercial lines insurance where we currently write only a limited amount of business. Selective geographic expansion would help diversify weather-related risk. Although we are open to acquisitions throughout the United States, the ability to expand in South Dakota through acquisition where our presence is not yet significant would be attractive and would bridge the market between our North Dakota and Nebraska franchises.

The completion of this offering will supply additional capital needed to support substantially increased premium volume, which we expect to result from the implementation of both our organic and inorganic growth strategies.

### **Products and Services**

#### *Personal lines.*

Nodak Mutual, Battle Creek and American West each write private passenger auto, homeowners, and farmowners policies in the respective states in which they issue policies. Collectively, personal lines accounts for approximately \$106.6 million or 61.7% of the total premiums written by the companies on a consolidated basis during 2015.

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### *Commercial lines.*

In addition to the personal lines described above, Nodak Mutual and American West write commercial coverages, primarily commercial multi-peril insurance. Collectively, commercial lines accounts for approximately \$5.1 million or 3.0% of the total premiums written by the companies on a consolidated basis during 2015.

### *Crop Insurance.*

Crop hail and multi-peril crop insurance policies are also offered by Nodak Mutual, Battle Creek and American West. Collectively, crop insurance accounts for approximately \$49.8 million or 28.8% of the total premiums written by the companies on a consolidated basis during 2015.

### *Nonstandard Auto.*

Primero writes only nonstandard auto insurance with a focus on minimum limit auto liability coverage. Primero's total premiums written during 2015 were \$11.3 million, which accounted for 6.5% of the total premiums written by the companies on a consolidated basis in 2015.

## **Marketing and Distribution**

Our marketing philosophy is to sell profitable business in our core states, using a focused, cost-effective distribution system. Nodak Mutual distributes its insurance products through approximately 65 exclusive agents selected and trained by NI Holdings. American West, Battle Creek and Primero rely on independent producers. These independent producers are viewed by us as important partners because they are in a position to recommend either our insurance products or those of a competitor to their customers. We consider our relationships with these producers to be good.

We review our producers annually with respect to both premium volume and profitability. Our producers will be monitored primarily by our three person marketing staff, who also have principal responsibility for recruiting and training exclusive agents in North Dakota and independent producers in other states. We hold annual seminars for producers and conduct training programs that provide both technical training about our products and sales training about how to effectively market our products.

For the year ended December 31, 2015, none of our producers were responsible for more than 5% of the direct premiums written by our insurance companies.

Producers are compensated through a fixed base commission. Agents receive commission as a percentage of premiums (generally 5% to 15%) as their primary compensation from us. RMA establishes the maximum commission that can be paid to producers with respect to crop insurance policies. Battle Creek and American West pay profit sharing commissions to their agencies based on various annual agency premium thresholds and the difference between the agency's loss ratio and the loss ratio goal established by the insurance company. The commission is paid with respect to all property and casualty (non-crop) business earned within the calendar year. Nodak Mutual pays a profit sharing commission to its agents only with respect to farmowners business originated by such agents.

Our marketing efforts are further supported by our claims philosophy, which is designed to provide prompt and efficient service and claims processing, resulting in a positive experience for producers and policyholders. We believe that these positive experiences result in higher policyholder retention and new business opportunities when communicated by producers and policyholders to potential customers. While we rely on our independent agents for distribution and customer support, underwriting and claim handling responsibilities are retained by us. Many of our agents have had direct relationships with us for a number of years.

## **Underwriting, Risk Assessment and Pricing**

Our underwriting philosophy is aimed at consistently generating profits through sound risk selection and pricing discipline. Through our management and underwriting staff, we regularly establish rates and rating classifications for our insureds based on loss and loss adjustment expense, or LAE, experience we have developed over the years, and the loss and LAE experience for the entire property and casualty insurance market. We have various rating classifications based on location, type of business and other liability factors.

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The nature of our business requires that we remain sensitive to the marketplace and the pricing strategies of our competitors. Using the market information as our background, we normally set our prices based on our estimated future costs. From time to time, we may reduce our discounts or apply a premium surcharge to achieve an appropriate return. Pricing flexibility allows us to provide a fair rate commensurate with the assumed liability. If our pricing strategy cannot yield sufficient premium to cover our costs on a particular type of risk, we may determine not to underwrite that risk. It is our philosophy not to sacrifice profitability for premium growth.

Our competitive strategy in underwriting is to provide very high-quality service to our producers and insureds by responding quickly and effectively to information requests and policy submissions. We maintain information on all aspects of our business, which is regularly reviewed to determine both agency and policyholder profitability. Specific information regarding individual insureds is monitored to assist us in making decisions about policy renewals or modifications.

Our underwriting staff, which also underwrites coverage issued by American West and Battle Creek, includes 21 employees with in excess of 277 combined years of experience in property and casualty underwriting. Primero employs 4 underwriters in connection with its nonstandard auto insurance business. All of the underwriting for our crop hail insurance is underwritten by American Farm Bureau Insurance Services.

We strive to be disciplined in our pricing by pursuing rate increases to maintain or improve our underwriting profitability while still being able to attract and retain customers. We utilize pricing reviews that we believe will help us price risks more accurately, improve account retention, and support the production of profitable new business. Our pricing reviews involve evaluating our claims experience and loss trends on a periodic basis to identify changes in the frequency and severity of our claims. We then consider whether our premium rates are adequate relative to the level of underwriting risk as well as the sufficiency of our underwriting guidelines.

### **Claims and Litigation Management**

Our claims management philosophy involves: (i) aggressive closure of claims through prompt and thorough investigation of the facts related to the claim; (ii) equitable settlement of meritorious claims; and (iii) vigorous defense of unfounded claims as to coverage, liability or the amount claimed. Our claims team supports our underwriting strategy by working to provide a timely, good faith claims handling response to our policyholders. Claims excellence is achieved by timely investigation and handling of claims, settlement of meritorious claims for equitable amounts, maintenance of adequate case reserves, and control of claims loss adjustment expenses.

Claims on insurance policies are received directly from the insured or through our producers. Our claims department supports our producer relationship strategy by working to provide a consistently responsive level of claim service to our policyholders. Our insurance subsidiaries are required by applicable insurance laws and regulations to maintain reserves for payment of losses and loss adjustment expenses for reported claims and for claims incurred but not reported, arising from policies that have been issued. Generally, these laws and regulations require that we provide for the ultimate cost of those claims without regard to how long it takes to settle them or the time value of money. The determination of reserves involves actuarial and statistical projections of what we expect to be the cost of the ultimate settlement and administration of such claims based on facts and circumstances then known, estimates of future trends in claims severity, and other variable factors such as inflation and changing judicial theories of liability.

Our actuaries utilize standard actuarial techniques to project ultimate losses based on our paid and incurred loss information, as well as drawing from industry data. These projections are done using actual loss dollars and claim counts. We analyze loss trends and claims frequency and severity to determine our "best estimate" of the required reserves. We then record this best estimate in NI Holdings' financial statements. Our reserve methodology is discussed in greater detail in "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our Vice President of Operations supervises a staff of 40 employees with over 341 years of combined experience in processing property and casualty insurance claims. All claims made under our multi-peril crop and crop hail insurance policies are processed and administered by American Farm Bureau Insurance Services.

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**American Farm Bureau Insurance Services**

American Farm Bureau Insurance Services, or AFBIS, underwrites all of the crop hail insurance policies issued by us and approximately 21 other insurers. AFBIS also processes and administers all claims made by policyholders under such policies. We reimburse AFBIS for its actual loss adjustment expense with respect to the policies issued by us and pay AFBIS a percentage of the premiums we received with respect to such policies. Nodak Mutual is a shareholder of AFBIS, along with each of the other insurers for whom AFBIS provides such services. AFBIS retains three percent of its revenues and pays all remaining profits to Nodak Mutual and the other shareholders of AFBIS. Nodak Mutual did not receive any material distributions from AFBIS in either 2014 or 2015.

**Fee Income**

Nodak Mutual's agents also act as producers for Farm Bureau Life Insurance, and Nodak Mutual receives commission income in connection with the distribution of such policies for Farm Bureau Life Insurance. In 2015 and 2014, such fee income totaled \$455,440 and \$470,401, respectively.

**Technology**

Our insurance operations rely on commercially available software to provide the information management systems platform that runs our accounting, policy underwriting and issuance, and claims processing functions. These systems permit us to integrate the accounting and reporting functions of all of our insurance operations. We utilize on-site servers for our information systems with daily backup of data. We have adopted a disaster recovery plan tailored to meet our needs and geographic location. We will seek to continuously invest in new technology to maximize our business opportunities while protecting our interests and those of our clients.

**Reinsurance**

*Reinsurance Ceded.* In accordance with insurance industry practice, we reinsure a portion of our exposure and pay to the reinsurers a portion of the premiums received on all policies reinsured. Insurance policies written by us are reinsured with other insurance companies principally to:

- reduce net liability on individual risks;
- mitigate the effect of individual loss occurrences;
- stabilize underwriting results;
- decrease leverage; and
- increase our underwriting capacity.

Reinsurance does not legally discharge the insurance company issuing the policy from primary liability for the full amount due under the reinsured policies. However, the assuming reinsurer is obligated to reimburse the company issuing the policy to the extent of the coverage ceded.

A primary factor in the selection of reinsurers from whom we purchase reinsurance is their financial strength. Our reinsurance arrangements are generally renegotiated annually. For the year ended December 31, 2015, Nodak Mutual ceded to reinsurers \$33.4 million of written premiums, compared to \$26.1 million of written premiums for the year ended December 31, 2014.

The chart below illustrates the reinsurance coverage under Nodak Mutual's excess of loss treaty for individual casualty risks:

<b>Losses Incurred</b>	<b>Retained by Nodak Mutual</b>	<b>Ceded Under Reinsurance Treaty</b>
Up to \$600,000	100%	0.0%
\$11,400,000 in excess of \$600,000	0.0%	100%

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The chart below illustrates the reinsurance coverage under Nodak Mutual’s excess of loss treaties for individual property risks:

<b>Losses Incurred</b>	<b>Retained by Nodak Mutual</b>	<b>Ceded Under Reinsurance Treaties</b>
Up to \$500,000	100%	0.0%
\$19,500,000 in excess of \$500,000	0.0%	100%

As a group, Nodak Mutual, American West and Battle Creek retain \$5,000,000 of losses from catastrophic events and have reinsurance under various reinsurance agreements up to \$74.6 million in excess of their \$5,000,000 retained risk.

The insolvency or inability of any reinsurer to meet its obligations to us could have a material adverse effect on our results of operations or financial condition. Nodak Mutual’s reinsurance providers, the majority of whom are longstanding partners that understand our business, are all carefully selected with the help of our reinsurance brokers. Nodak Mutual monitors the solvency of reinsurers through regular review of their financial statements and, if available, their A.M. Best ratings. All of our current reinsurance partners have at least an “A-” rating from A.M. Best. According to A.M. Best, companies with a rating of “A-” or better “have an excellent ability to meet their ongoing obligations to policyholders.” We have experienced no significant difficulties collecting amounts due from reinsurers.

Reinsurance for multi-peril crop insurance is provided by the FCIC. Insurers can assign each policy issued to either its “assigned risk” or “commercial” fund. The FCIC retains an increasing percentage of underwriting losses at successively higher loss ratios while ceding an increasing percentage of the premium at lower loss ratios. The commercial fund permits insurers to retain more of the underwriting gains and losses, while the assigned risk fund cedes most of the risk to the FCIC. The exact treatment of the commercial fund varies by state groups. In Group 1, which includes Illinois, Indiana, Iowa, Minnesota and Nebraska, the FCIC retains a larger share of the underwriting gains and a smaller portion of the underwriting losses when compared to all other states. Aggregate stop loss reinsurance is purchased for crop hail and multi-peril insurance. We purchase fifty percentage points of coverage above a 100% direct loss ratio for crop hail. The coverage purchased protects above the worst case loss ratio the industry has experienced in the past 15 years and more than double the worst case loss ratio Nodak Mutual has experienced. We purchase forty-five percentage points of coverage for multi-peril crop above a 105% loss ratio after the FCIC reinsurance protection. This represents the worst loss exposure given the FCIC formula, thereby capping the multi-peril loss ratio at 105%.

The following table sets forth the largest amounts of loss and loss expenses recoverable by Nodak Mutual from reinsurers as of December 31, 2015 (dollars in thousands) and the current A.M. Best Rating of each as of August 1, 2016.

As of December 31, 2015:

<b>Reinsurance Company</b>	<b>Loss &amp; Loss Expense Recoverable On Unpaid Claims</b>	<b>Percentage of Total Recoverable</b>	<b>A.M. Best Rating</b>
American Agricultural Insurance Company	\$ 843	16.5%	A-
Aspen Insurance UK LTD	334	6.5%	A
Federal Crop Insurance Corporation	303	5.9%	
Hannover Rueck SE	675	13.2%	A+
Maiden Reinsurance Company of the US	1,099	21.5%	A-
Partner Reins Company of the US	583	11.4%	A
QBE Reinsurance Corporation	1,099	21.5%	A
Other	173	3.4%	A+
<b>Total</b>	<b>\$ 5,109</b>	<b>100%</b>	

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*Reinsurance Assumed.* Nodak Mutual reinsures 100% of the risk under policies written by Battle Creek. Except for Battle Creek, Nodak Mutual generally does not assume risks from other insurance companies. However, Nodak Mutual is required by statute to participate in certain residual market pools. This participation requires Nodak Mutual to assume business for property exposures that are not insured in the voluntary marketplace. Nodak Mutual participates in these residual markets pro rata on a market share basis.

Through American Agriculture Insurance Company, Nodak Mutual participates in both domestic and international property insurance pools. Nodak Mutual reviews the available pools on an annual basis and selects the pools in which it will participate. No multi-peril crop or crop hail insurance policies are included in such pools. Participation in such pools provides Nodak Mutual with the opportunity to diversify its risk while increasing its annual earned premiums. In 2015 and 2014, Nodak Mutual assumed \$3.5 million and \$4.1 million of premiums, respectively, from such pools.

### **Loss and LAE Reserves**

Nodak Mutual is required by applicable insurance laws and regulations to maintain reserves for payment of loss and loss adjustment expenses (LAE). These reserves are established for both reported claims and for claims incurred but not reported (IBNR), arising from the policies we have issued. The laws and regulations require that provision be made for the ultimate cost of those claims without regard to how long it takes to settle them or the time value of money. The determination of reserves involves actuarial and statistical projections of what we expect to be the cost of the ultimate settlement and administration of such claims. The reserves are set based on facts and circumstances then known, estimates of future trends in claims severity, and other variable factors such as inflation and changing judicial theories of liability.

Estimating the ultimate liability for losses and LAE is an inherently uncertain process. Therefore, the reserve for losses and LAE does not represent an exact calculation of that liability. Our reserve policy recognizes this uncertainty by maintaining reserves at a level providing for the possibility of adverse development relative to the estimation process. We do not discount our reserves to recognize the time value of money.

When a claim is reported to us, our claims personnel establish a “case reserve” for the estimated amount of the ultimate payment. This estimate reflects an informed judgment based upon general insurance reserving practices and on the experience and knowledge of our claims staff. In estimating the appropriate reserve, our claims staff considers the nature and value of the specific claim, the severity of injury or damage, and the policy provisions relating to the type of loss, to the extent determinable at the time. Case reserves are adjusted by our claims staff as more information becomes available. It is our policy to settle each claim as expeditiously as possible.

We maintain IBNR reserves to provide for already incurred claims that have not yet been reported and developments on reported claims. The IBNR reserve is determined by estimating our ultimate net liability for both reported and IBNR claims and then subtracting the case reserves and paid loss and LAE for reported claims.

Each quarter, Nodak Mutual computes its estimated ultimate liability using its principles and procedures. However, because the establishment of loss reserves is an inherently uncertain process, we cannot assure you that ultimate losses will not exceed the established loss reserves. Adjustments in aggregate reserves, if any, are reflected in the operating results of the period during which such adjustments are made.



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The following table provides a reconciliation of beginning and ending unpaid losses and LAE reserve balances of Nodak Mutual for the three months ended June 30, 2016 and for the years ended December 31, 2015 and 2014, prepared in accordance with GAAP.

	June 30, 2016	December 31,	
	(unaudited)	2015	2014
<i>Balance at January 1</i>	\$ 45,342	\$ 50,518	\$ 46,899
Reinsurance recoverable on unpaid loss and LAE	5,109	5,676	4,841
Net liability at January 1	<u>40,233</u>	<u>44,842</u>	<u>42,058</u>
Tri-State Acquisition			
Liability for unpaid loss and LAE	\$ —	\$ —	\$ 5,172
Reinsurance ceded	—	—	—
Net liability assumed	<u>—</u>	<u>—</u>	<u>5,172</u>
Loss and LAE incurred, net:			
Current year	\$ 47,551	\$ 92,764	\$ 97,274
Prior years	(2,752)	(8,888)	(7,968)
Total incurred loss and LAE	<u>44,799</u>	<u>83,876</u>	<u>89,306</u>
Less loss and LAE paid, net:			
Current year	\$ 22,969	\$ 70,290	\$ 75,422
Prior years	12,724	18,195	16,272
Total loss and LAE expenses paid	<u>35,693</u>	<u>88,485</u>	<u>91,694</u>
Gross liability for unpaid loss and LAE, at end of period	\$ 67,121	\$ 45,342	\$ 50,518
Reinsurance recoverable on unpaid losses and LAE	17,782	5,109	5,676
Reserve for unpaid losses and LAE at end of period	<u>\$ 49,339</u>	<u>\$ 40,233</u>	<u>\$ 44,842</u>

The estimation process for determining the liability for unpaid losses and LAE inherently results in adjustments each year for claims incurred (but not paid) in preceding years. Negative amounts reported for claims incurred related to prior years are a result of claims being settled for amounts less than originally estimated (favorable development). Positive amounts reported for claims incurred related to prior years are a result of claims being settled for amounts greater than originally estimated (unfavorable or adverse development).

*Reconciliation of Reserve for Loss and Loss Adjustment Expenses*

The following table shows the development of Nodak Mutual's reserves for unpaid loss and LAE from 2005 through 2015 on a GAAP basis. The top line of the table shows the liabilities at the balance sheet date, including losses incurred but not yet reported. The upper portion of the table shows the cumulative amounts subsequently paid as of successive years with respect to the liability. The lower portion of the table shows the re-estimated amount of the previously recorded liability based on experience as of the end of each succeeding year. The estimates change as more information becomes known about the frequency and severity of claims for individual years. The redundancy (deficiency) exists when the re-estimated liability for each reporting period is less (greater) than the prior liability estimate. The "cumulative redundancy (deficiency)" depicted in the table, for any particular calendar year, represents the aggregate change in the initial estimates over all subsequent calendar years.

Gross deficiencies and redundancies may be significantly more or less than net deficiencies and redundancies due to the nature and extent of applicable reinsurance.

Nodak Mutual has traditionally recorded reserves within the actuary's range of estimates.

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The net cumulative deficiency for these years, while still high, is significantly lower than the gross deficiency, while in more recent years, the variance between gross and net is not as pronounced.

	Year Ended December 31, 2015 (unaudited)									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
(Dollars in thousands)										
<b>Liability for unpaid loss and LAE, net of reinsurance recoverables</b>	\$ 30,083	\$ 30,360	\$ 29,698	\$ 30,908	\$ 28,266	\$ 28,302	\$ 25,466	\$ 42,058	\$ 44,842	\$ 40,233
<b>Cumulative amount of liability paid through</b>										
One year later	7,703	10,740	13,550	12,247	11,691	11,911	5,056	16,249	18,166	—
Two years later	11,246	13,553	17,278	16,323	12,362	9,053	8,654	20,899	—	—
Three years later	13,476	14,813	17,489	16,408	15,104	11,245	11,636	—	—	—
Four years later	13,940	15,399	17,619	17,552	15,536	13,195	—	—	—	—
Five years later	14,252	15,348	17,774	17,838	16,662	—	—	—	—	—
Six years later	14,092	15,492	17,955	18,682	—	—	—	—	—	—
Seven years later	14,167	15,537	18,617	—	—	—	—	—	—	—
Eight years later	14,204	16,171	—	—	—	—	—	—	—	—
Nine years later	14,838	—	—	—	—	—	—	—	—	—
One year later	22,890	24,082	22,989	26,363	24,049	18,691	22,337	34,074	35,926	—
Two years later	19,106	19,831	23,100	23,492	19,815	20,144	18,788	30,380	—	—
Three years later	16,782	17,835	21,931	20,763	20,518	17,678	16,620	—	—	—
Four years later	15,776	17,586	20,082	21,516	19,356	16,294	—	—	—	—
Five years later	15,812	16,989	20,031	20,724	18,403	—	—	—	—	—
Six years later	15,363	16,927	19,531	19,836	—	—	—	—	—	—
Seven years later	15,438	16,860	19,251	—	—	—	—	—	—	—
Eight years later	15,408	16,720	—	—	—	—	—	—	—	—
Nine years later	15,339	—	—	—	—	—	—	—	—	—
<b>Cumulative total redundancy (deficiency)</b>										
Gross liability – end of year	39,111	38,913	53,770	51,413	39,332	38,852	38,007	46,900	50,517	45,342
Reinsurance recoverable	9,028	8,553	24,072	20,505	11,066	15,550	12,541	4,842	5,675	5,108
Net liability – end of year	30,083	30,360	29,698	30,908	28,266	23,302	25,466	42,058	44,842	40,234
Gross re-estimated liability – latest	20,310	25,632	35,425	32,372	27,471	30,653	25,675	33,851	40,583	—
Re-estimated reinsurance recoverables – latest	4,971	8,912	16,174	12,536	9,068	14,359	9,055	3,471	4,657	—
Net re-estimated liability – latest	15,339	16,720	19,251	19,836	18,403	16,294	16,620	30,380	35,926	—
Gross cumulative redundancy (deficiency)	18,801	13,281	18,345	19,041	11,861	8,199	12,332	13,049	9,934	—

**Investments**

Nodak Mutual’s investments in debt and equity securities are classified as available for sale and are carried at fair value with unrealized gains and losses reflected as a component of equity net of taxes. The goal of Nodak Mutual’s investment activities is to complement and support its overall mission. As such, the investment portfolio’s goal is to maximize after-tax investment income and price appreciation while maintaining the portfolio’s target risk profile.

An important component of Nodak Mutual’s operating results has been the return on invested assets. Nodak Mutual’s investment objectives are (i) growth and preservation of capital, (ii) achieving favorable returns on invested assets through investment in high quality income producing assets, and (iii) assuring proper levels of liquidity to fund expected operating needs. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Quantitative and Qualitative Information about Market Risk.”

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In addition to any investments prohibited by the insurance laws and regulations of North Dakota and any other applicable states, Nodak Mutual's investment policy prohibits the following investments and investing activities:

- Commodities and futures contracts
- Options (except covered call options)
- Non-investment grade debt obligations at time of purchase
- Interest-only, principal-only, and residual tranche collateralized mortgage obligations
- Private placements
- Foreign currency trading
- Limited partnerships other than publicly traded master limited partnerships
- Convertible securities
- Venture-capital investments
- Real estate properties
- Securities lending
- Portfolio leveraging, i.e., margin transactions
- Short selling

Nodak Mutual's investment committee approved its investment policy and reviews the policy periodically. Nodak Mutual's investment portfolio is managed by Conning, Inc.

The following table sets forth information concerning Nodak Mutual's investments (dollars in thousands).

	<u>At June 30, 2016</u>		<u>At December 31,</u>			
	(unaudited)		2015		2014	
	<u>Cost or Amortized Cost</u>	<u>Estimated Fair Value</u>	<u>Cost or Amortized Cost</u>	<u>Estimated Fair Value</u>	<u>Cost or Amortized Cost</u>	<u>Estimated Fair Value</u>
U.S. Government and agencies	\$ 5,835	\$ 6,268	\$ 1,961	\$ 2,060	\$ 1,466	\$ 1,580
States, territories and possessions and political subdivisions	68,234	71,728	69,218	71,724	61,873	64,687
Corporate securities	50,527	52,435	49,490	48,883	40,072	41,338
Residential mortgage-backed securities	22,739	23,304	21,407	21,462	18,541	18,832
Commercial mortgage-backed securities	8,052	8,345	6,370	6,414	5,254	5,339
Asset backed securities	4,117	4,197	2,905	2,900	1,384	1,392
Total Debt Securities	159,504	166,277	151,351	153,443	128,590	133,168
Equity Securities	13,931	30,177	12,330	27,783	11,125	29,238
Total	<u>\$173,435</u>	<u>\$196,454</u>	<u>\$163,681</u>	<u>\$181,226</u>	<u>\$139,715</u>	<u>\$162,406</u>

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The table below sets forth the maturity profile of Nodak Mutual's debt securities at June 30, 2016. Expected maturities could differ from contractual maturities because borrowers may have the right to call or prepay obligations, with or without call or prepayment penalties (dollars in thousands).

	<u>June 30, 2016 (unaudited)</u>	
	<u>Amortized Cost</u>	<u>Estimated Fair Value<sup>(1)</sup></u>
Less than one year	\$ 8,230	\$ 8,350
One through five years	43,220	45,223
Five through ten years	58,126	61,015
Greater than ten years	15,020	15,843
Mortgage/asset backed securities	34,908	35,846
Total debt securities	<u>\$ 159,504</u>	<u>\$ 166,277</u>

(1) Debt securities are carried at fair value in Nodak Mutual's financial statements beginning on page F-2.

At June 30, 2016, the average maturity of Nodak Mutual's fixed income investment portfolio was 5.17 years and the average duration was 3.67 years. As a result, the fair value of Nodak Mutual's investments may fluctuate significantly in response to changes in interest rates. In addition, Nodak Mutual may experience investment losses to the extent our liquidity needs require the disposition of fixed maturity securities in unfavorable interest rate environments.

Nodak Mutual uses quoted values and other data provided by independent pricing services as inputs in its process for determining fair values of its investments. The pricing services cover substantially all of the securities in Nodak Mutual's portfolio for which publicly quoted values are not available. The pricing services' evaluations represent an exit price, a good faith opinion as to what a buyer in the marketplace would pay for a security in a current sale. The pricing is based on observable inputs either directly or indirectly, such as quoted prices in markets that are active, quoted prices for similar securities at the measurement date, or other inputs that are observable.

Nodak Mutual's investment manager provides it with pricing information that it utilizes, together with information obtained from independent pricing services, to determine the fair value of its fixed maturity securities. After performing a detailed review of the information obtained from the pricing service, no adjustment was made to the values provided.

Nodak Mutual's average cash and invested assets, net investment income and return on average cash and invested assets for the six months ended June 30, 2016 and for the years ended December 31, 2015 and 2014 were as follows (dollars in thousands):

	<u>Six Months Ended June 30, 2016</u>	<u>Years ended December 31,</u>	
	(unaudited)	<u>2015</u>	<u>2014</u>
Average cash and invested assets	\$ 204,447	\$ 197,987	\$ 178,265
Net investment income	2,315	4,184	4,133
Return on average cash and invested assets	2.26%*	2.2%	2.3%

\* Annualized.

### **A.M. Best Rating**

A.M. Best rates insurance companies based on factors of concern to policyholders. The rating evaluates the claims paying ability of a company, and is not a recommendation on the merits of an investment in our common stock.

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Nodak Mutual and Battle Creek are rated “A” by A.M. Best, which is the third highest out of 15 possible ratings. A.M. Best has assigned Nodak Mutual a “positive outlook” and Battle Creek a “stable outlook.” American West is rated B++ (positive outlook), and Primero is unrated because the nature of its business is not ratings sensitive. In evaluating a company’s financial and operating performance, A.M. Best reviews:

- the company’s profitability, leverage and liquidity;
- its book of business;
- the adequacy and soundness of its reinsurance;
- the quality and estimated fair value of its assets;
- the adequacy of its reserves and surplus;
- its capital structure;
- the experience and competence of its management; and
- its marketing presence.

If we are unable to maintain at least an “A-” rating from A.M. Best, it may impair our ability to compete effectively.

### **Competition**

The property casualty and crop insurance markets are highly competitive. Nodak Mutual competes with stock insurance companies, mutual companies, and other underwriting organizations. Our largest competitors in North Dakota for personal auto and homeowners are State Farm, Progressive, American Family and QBE, Farmers Union and Auto-Owners. In South Dakota and Nebraska we have small market shares and our competitors are the large national and regional companies as well as Farmers Mutual of Nebraska. Based on 2014 data, Nodak Mutual is the largest writer of farmowners insurance in North Dakota. Our largest competitors are Farmers Union, North Star Mutual and American Family. In Nebraska and South Dakota we have a small farmowners market share, which is dominated by the large national and regional carriers. Certain of these competitors have substantially greater financial, technical and operating resources than we do and may be able to offer lower rates or higher commissions to their producers.

Total reported premiums written for multi-peril crop insurance in 2014 was \$911 million in North Dakota and \$649 million in Minnesota. The direct written premiums of Nodak Mutual for multi-peril crop insurance in North Dakota were \$39.9 million in 2015 and \$42.3 million in 2014. In Minnesota, our multi-peril crop insurance premiums were \$2.7 million in 2015 and \$2.5 million in 2014. Nodak Mutual wrote less than \$1.0 million in crop insurance in Nebraska and South Dakota. The principal competitors in our markets for multi-peril crop insurance are Chubb, RCIS (a subsidiary of Wells Fargo that is under agreement to be sold to Zurich), QBE and Great American. Accordingly, we believe our company can prudently expand its crop insurance business in its existing territories.

The premiums for crop insurance are established by the Risk Management Agency of the United States Department of Agriculture, and accordingly we compete with other insurance companies on factors such as agency relationships, claim service and market reputation in the crop insurance market. We believe that our relationship with the North Dakota Farm Bureau and our leading market share play is a significant factor in maintaining and expanding our market share of the crop insurance business in North Dakota.

With respect to writing property and casualty insurance, we compete on a number of factors such as pricing, agency relationships, policy support, claim service, and market reputation. Like other writers of property and casualty insurance, our policy terms vary from state to state based on the maximum prescribed limits in each state, as established by state law. We believe our company differentiates itself from many larger companies competing for this business by focusing on ease of doing business and providing excellent claims service.

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To compete successfully in the property and casualty insurance market, we rely on our ability to: identify insureds that are most likely to produce an underwriting profit; operate with a disciplined underwriting approach; practice prudent claims management; reserve appropriately for unpaid claims; and provide services and competitive commissions to our independent and captive agents.

### **Regulation**

#### *General*

We are subject to extensive regulation, particularly at the state level. The method, extent and substance of such regulation varies by state, but generally has its source in statutes and regulations that establish standards and requirements for conducting the business of insurance and that delegate regulatory authority to state insurance regulatory agencies. In general, such regulation is intended for the protection of those who purchase or use insurance products, not the companies that write the policies. These laws and regulations have a significant impact on our business and relate to a wide variety of matters including accounting methods, agent and company licensure, claims procedures, corporate governance, examinations, investing practices, policy forms, pricing, trade practices, reserve adequacy and underwriting standards.

State insurance laws and regulations require our insurance company subsidiaries to file financial statements with state insurance departments everywhere they do business, and the operations of such companies and their respective accounts are subject to examination by those departments at any time. Our insurance company subsidiaries prepare statutory financial statements in accordance with accounting practices and procedures prescribed or permitted by the state in which they are domiciled. North Dakota generally conforms to NAIC practices and procedures, so its examination reports and other filings generally are accepted by other states. Nodak Insurance Company will continue to be subject to these laws, regulations and requirements after completion of the conversion.

Premium rate regulation varies greatly among jurisdictions and lines of insurance. In the states in which our insurance company subsidiaries write insurance, premium rates for the various lines of insurance are subject to either prior approval or limited review upon implementation. The premium rates for multi-peril crop insurance are established by the Risk Management Agency of the United States Department of Agriculture. See “— Crop Insurance.”

Many jurisdictions have laws and regulations that limit an insurer’s ability to withdraw from a particular market. For example, states may limit an insurer’s ability to cancel or non-renew policies. Laws and regulations that limit cancellation and non-renewal may restrict our ability to exit unprofitable marketplaces in a timely manner.

#### *Crop Insurance*

The crop hail and multi-peril crop insurance business is overseen by the federal government through the Risk Management Agency (“RMA”). The RMA outlines policy language, establishes premium rates and develops loss adjustment procedures for insurance programs under the federal crop insurance program. In addition, through the FCIC, the RMA provides premium subsidies to farmers and sets the commission percentages that can be paid to agents. The RMA also provides oversight to the approved insurance providers (“AIPs”). The AIPs are required to use the policies, premium rates, and loss adjustment procedures set by the RMA without modification and are required to issue a policy to any eligible applicant regardless of risk or profitability. Not more often than every five years, the AIPs renegotiate the contract with the RMA, known as the Standard Reinsurance Agreement, or SRA, which outlines items such as reporting requirements and claims handling procedures, proportional and non-proportional reinsurance terms, and the level of administrative and operating reimbursement paid to insurers. The RMA also conducts audits of insurers with respect to claims and loss adjustment procedures.

#### *Examinations*

Examinations are conducted by the North Dakota Insurance Department every three to five years. Nodak Mutual and American West were last examined by the Department as of December 31, 2011. The examination did not result in any adjustments to the financial position Nodak Mutual. In addition, there were no substantive qualitative matters indicated in the examination report that had a material adverse impact on the

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operations of Nodak Mutual. Battle Creek was last examined by the Nebraska Insurance Department as of December 31, 2011, and the last examination of Primero by the Nevada Insurance Department was as of December 31, 2012.

### *NAIC Risk-Based Capital Requirements*

North Dakota and most other states have adopted the NAIC system of risk-based capital requirements that require insurance companies to calculate and report information under a risk-based formula. These risk-based capital requirements attempt to measure statutory capital and surplus needs based on the risks in a company's mix of products and investment portfolio. Under the formula, a company first determines its "authorized control level" risk-based capital. This authorized control level takes into account (i) the risk with respect to the insurer's assets; (ii) the risk of adverse insurance experience with respect to the insurer's liabilities and obligations, (iii) the interest rate risk with respect to the insurer's business; and (iv) all other business risks and such other relevant risks as are set forth in the risk-based capital instructions. A company's "total adjusted capital" is the sum of statutory capital and surplus and such other items as the risk-based capital instructions may provide. The formula is designed to allow state insurance regulators to identify weakly capitalized companies.

The requirements provide for four different levels of regulatory attention. The "company action level" is triggered if a company's total adjusted capital is less than 2.0 times its authorized control level but greater than or equal to 1.5 times its authorized control level. At the company action level, the company must submit a comprehensive plan to the regulatory authority that discusses proposed corrective actions to improve the capital position. The "regulatory action level" is triggered if a company's total adjusted capital is less than 1.5 times but greater than or equal to 1.0 times its authorized control level. At the regulatory action level, the regulatory authority will perform a special examination of the company and issue an order specifying corrective actions that must be followed. The "authorized control level" is triggered if a company's total adjusted capital is less than 1.0 times but greater than or equal to 0.7 times its authorized control level; at this level the regulatory authority may take action it deems necessary, including placing the company under regulatory control. The "mandatory control level" is triggered if a company's total adjusted capital is less than 0.7 times its authorized control level; at this level the regulatory authority is mandated to place the company under its control. The capital levels of our insurance company subsidiaries have never triggered any of these regulatory capital levels. We cannot assure you, however, that the capital requirements applicable to such companies after the conversion will not increase in the future.

### *NAIC Ratios*

The NAIC also has developed a set of 11 financial ratios referred to as the Insurance Regulatory Information System (IRIS). On the basis of statutory financial statements filed with state insurance regulators, the NAIC annually calculates these IRIS ratios to assist state insurance regulators in monitoring the financial condition of insurance companies. The NAIC has established an acceptable range for each of the IRIS financial ratios. If four or more of its IRIS ratios fall outside the range deemed acceptable by the NAIC, an insurance company may receive inquiries from individual state insurance departments. During each of the years ended December 31, 2015, 2014 and 2013, none of our insurance company subsidiaries produced results outside the acceptable range for any of the IRIS tests.

### *Enterprise Risk Assessment*

In 2012, the NAIC adopted the NAIC Amendments. The NAIC Amendments, when adopted by the various states, are designed to respond to perceived gaps in the regulation of insurance holding company systems in the United States. One of the major changes is a requirement that an insurance holding company system's ultimate controlling person submit annually to its lead state insurance regulator an "enterprise risk report" that identifies activities, circumstances or events involving one or more affiliates of an insurer that, if not remedied properly, are likely to have a material adverse effect upon the financial condition or liquidity of the insurer or its insurance holding company system as a whole. Beginning in 2016, North Dakota will require insurers domiciled in North Dakota to include an enterprise risk assessment in its annual report. Other changes include requiring a controlling person to submit prior notice to its domiciliary insurance regulator of its divestiture of control, having detailed minimum requirements for cost sharing and management agreements between an insurer and its affiliates and expanding of the agreements between an insurer and its affiliates to be

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filed with its domiciliary insurance regulator. In addition, in 2012 the NAIC adopted the Own Risk Solvency Assessment (ORSA) Model Act. The ORSA Model Act, when adopted by the various states, will require an insurance holding company system's chief risk officer to submit at least annually to its lead state insurance regulator a confidential internal assessment appropriate to the nature, scale and complexity of an insurer, conducted by that insurer of the material and relevant risks identified by the insurer associated with an insurer's current business plan and the sufficiency of capital resources to support those risks. Although our insurance company subsidiaries are exempt from ORSA because of their size, Nodak Insurance Company intends to incorporate those elements of ORSA that it believes constitute "best practices" into its annual internal enterprise risk assessment.

### *Market Conduct Regulation*

State insurance laws and regulations include numerous provisions governing trade practices and the marketplace activities of insurers, including provisions governing the form and content of disclosure to consumers, illustrations, advertising, sales practices and complaint handling. State regulatory authorities generally enforce these provisions through periodic market conduct examinations.

### *Guaranty Fund Laws*

All states have guaranty fund laws under which insurers doing business in the state can be assessed to fund policyholder liabilities of insolvent insurance companies. Under these laws, an insurer is subject to assessment depending upon its market share in the state of a given line of business. For the years ended December 31, 2015 and 2014, we paid no assessments pursuant to state insurance guaranty association laws. We establish reserves relating to insurance companies that are subject to insolvency proceedings when we are notified of assessments by the guaranty associations. We cannot predict the amount and timing of any future assessments under these laws. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

### *Federal Regulation*

The U.S. federal government generally has not directly regulated the insurance industry except for certain areas of the market, such as insurance for crops, flood, nuclear and terrorism risks. However, the federal government has undertaken initiatives or considered legislation in several areas that may impact the insurance industry, including tort reform, corporate governance and the taxation of reinsurance companies. The Dodd-Frank Act established the Federal Insurance Office which is authorized to study, monitor and report to Congress on the insurance industry and to recommend that the Financial Stability Oversight Council designate an insurer as an entity posing risks to the U.S. financial stability in the event of the insurer's material financial distress or failure. In December 2013, the Federal Insurance Office issued a report on alternatives to modernize and improve the system of insurance regulation in the United States, including by increasing national uniformity through either a federal charter or effective action by the states. Changes to federal legislation and administrative policies in several areas, including changes in federal taxation, can also significantly impact the insurance industry and us. See "— Crop Insurance."

We are also subject to the Fair and Accurate Credit Transactions Act of 2003, or FACTA, and the Health Insurance Portability and Accountability Act of 1996, or HIPPA, both of which require us to protect the privacy of our customers' information, including health and credit information.

### *Sarbanes-Oxley Act of 2002*

Enacted in 2002, the stated goals of the Sarbanes-Oxley Act of 2002, or SOX, are to increase corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws. We will become subject to most of the provisions of the SOX immediately after completion of this offering.

The SOX includes very specific disclosure requirements and corporate governance rules and requires the SEC and securities exchanges to adopt extensive additional disclosure, corporate governance and other related regulations.



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### *Privacy*

As mandated by the Gramm-Leach-Bliley Act, states continue to promulgate and refine laws and regulations that require financial institutions, including insurance companies, to take steps to protect the privacy of certain consumer and customer information relating to products or services primarily for personal, family or household purposes. A recent NAIC initiative that affected the insurance industry was the adoption in 2000 of the Privacy of Consumer Financial and Health Information Model Regulation, which assisted states in promulgating regulations to comply with the Gramm-Leach-Bliley Act. In 2002, to further facilitate the implementation of the Gramm-Leach-Bliley Act, the NAIC adopted the Standards for Safeguarding Customer Information Model Regulation. Several states have now adopted similar provisions regarding the safeguarding of customer information. Nodak Mutual and its subsidiaries have each implemented procedures to comply with the Gramm-Leach-Bliley Act's related privacy requirements.

### *OFAC*

The Treasury Department's Office of Foreign Asset Control (OFAC) maintains a list of "Specifically Designated Nationals and Blocked Persons" (the SDN List). The SDN List identifies persons and entities that the government believes are associated with terrorists, rogue nations or drug traffickers. OFAC's regulations prohibit insurers, among others, from doing business with persons or entities on the SDN List. If the insurer finds and confirms a match, the insurer must take steps to block or reject the transaction, notify the affected person and file a report with OFAC.

### *JOBS Act*

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, such as reduced public company reporting, accounting and corporate governance requirements. We currently intend to avail ourselves of the reduced disclosure obligations regarding executive compensation.

Section 107 of the JOBS Act also provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards.

We will remain an "emerging growth company" for up to five years following our IPO, or until the earliest of (i) the last day of the first fiscal year in which our annual gross revenue exceeds \$1 billion, (ii) the date that we become a "large accelerated filer" as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which would occur if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter, or (iii) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three year period.

In addition, as an emerging growth company, we are exempt from Section 14A (a) and (b) of the Securities Exchange Act of 1934, which require shareholder approval of executive compensation and golden parachutes.

### *Dividends*

North Dakota law sets the maximum amount of dividends that may be paid by Nodak Insurance Company during any twelve-month period after notice to, but without prior approval of, the North Dakota Insurance Department. This amount cannot exceed the lesser of (i) 10% of the insurance company's surplus as regards policyholders as of the preceding December 31, or (ii) the insurance company's statutory net income for the preceding calendar year (excluding realized capital gains), less any prior dividends paid during such twelve-month period. In addition, any insurance company other than a life insurance company may carry forward net income from the preceding two calendar years, not including realized capital gains, less any dividends actually paid during those two calendar years. As of December 31, 2015, the amount available for payment of dividends by Nodak Insurance Company in 2016 without the prior approval of the North Dakota Insurance Department is approximately \$13.6 million. "Extraordinary dividends" in excess of the foregoing limitations may only be paid with prior notice to, and approval of, the North Dakota Insurance Department. See "Dividend Policy."

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### *Holding Company Laws*

Most states, including North Dakota, have enacted legislation that regulates insurance holding company systems. Each insurance company in a holding company system is required to register with the insurance supervisory agency of its state of domicile and furnish certain information. This includes information concerning the operations of companies within the holding company group that may materially affect the operations, management or financial condition of the insurers within the group. Pursuant to these laws, the North Dakota Insurance Department requires disclosure of material transactions involving an insurance company and its affiliates, and requires prior notice and/or approval of certain transactions, such as “extraordinary dividends” distributed by the insurance company. Under these laws, the North Dakota Insurance Department will have the right to examine us and Nodak Company at any time.

All transactions within our consolidated group affecting our insurance company subsidiaries must be fair and equitable. Notice of certain material transactions between Nodak Company and any person or entity in our holding company system will be required to be given to the North Dakota Insurance Department. Certain transactions cannot be completed without the prior approval of the North Dakota Insurance Department.

Approval of the state insurance commissioner is required prior to any transaction affecting the control of an insurer domiciled in that state. In North Dakota, the acquisition of 10% or more of the outstanding voting securities of an insurer or its holding company is presumed to be a change in control. North Dakota law also prohibits any person or entity from (i) making a tender offer for, or a request or invitation for tenders of, or seeking to acquire or acquiring any voting security of a North Dakota insurer if, after the acquisition, the person or entity would be in control of the insurer, or (ii) effecting or attempting to effect an acquisition of control of or merger with a North Dakota insurer, unless the offer, request, invitation, acquisition, effectuation or attempt has received the prior approval of the North Dakota Insurance Department.

### **Legal Proceedings**

Nodak Mutual and its subsidiaries are parties to litigation in the normal course of business. Based upon information presently available to us, we do not consider any litigation to be material. However, given the uncertainties attendant to litigation, we cannot assure you that our results of operations and financial condition will not be materially adversely affected by any litigation.

### **Properties**

Our headquarters is located at 1101 First Avenue North, Fargo, North Dakota, which is also the headquarters of Nodak Mutual. Nodak Mutual owns this building and leases a portion of the building to the North Dakota Farm Bureau and to the American Farm Bureau Insurance Services, Inc.

Battle Creek owns the building in which its offices are located at 603 South Preece Street, Battle Creek, Nebraska. Primero owns the building in Las Vegas, Nevada in which its offices are located, and Tri-State Ltd. leases the building in Spearfish, South Dakota where its offices are located. We believe that the offices currently occupied by each of our subsidiaries are sufficient for their needs and any expected growth in the near future.

### **Employees**

As of December 31, 2015, Nodak Mutual and its subsidiaries had 126 full time employees. None of these employees are covered by a collective bargaining agreement, and we believe that our employee relations are good.

## THE CONVERSION AND THE OFFERING

As a mutual insurance company, Nodak Mutual does not have shareholders. Instead, it has members. The members of Nodak Mutual are its policyholders. The members of Nodak Mutual have the right to vote in the election of directors and with respect to any other matter submitted for approval by the members in accordance with the articles of incorporation and bylaws of Nodak Mutual and as required by North Dakota law, such as the right to approve the conversion. In an insurance company organized as a stock institution, policyholders have no governance rights, which reside with shareholders, and instead have only contractual rights under their insurance policies.

### General

On January 21, 2016, the board of directors of Nodak Mutual adopted the plan of conversion, subject to the approval of the North Dakota Insurance Commissioner. The plan of conversion was approved by the North Dakota Insurance Commissioner on [•], 2016. Approval by the North Dakota Insurance Commissioner is not a recommendation or endorsement of the offering. The plan of conversion is also subject to the approval of the policyholders of Nodak Mutual as of [•], 2016, by the affirmative vote of at least two-thirds of the votes cast at a special meeting to be held on [•], 2016.

The plan of conversion provides that we will offer shares of our common stock for sale in a subscription offering to policyholders of Nodak Mutual as of January 21, 2016, the ESOP, and the directors, officers and employees of Nodak Mutual. In addition, we may elect to offer the shares of common stock not subscribed for in the subscription offering, if any, for sale in a community offering commencing during or upon completion of the subscription offering and in a syndicated offering. See “— Subscription Offering and Subscription Rights” and “— Community Offering.” We have the right to accept or reject, in whole or in part, any order to purchase shares of common stock received in the community offering or syndicated offering.

The conversion will be accomplished by the filing of amended and restated articles of incorporation with the North Dakota Department of State with respect to Nodak Mutual.

Immediately following the conversion, all of the outstanding shares of common stock of Nodak Insurance Company will be issued to Nodak Mutual Group, which will then contribute such shares to NI Holdings in exchange for 55% of the outstanding shares of common stock of NI Holdings. Nodak Insurance Company will then become a wholly owned stock subsidiary of NI Holdings. The conversion will be effected only if subscriptions and orders are received for at least 7,650,000 shares of common stock and the policyholders of Nodak Mutual as of [•], 2016 approve the plan of conversion.

A copy of the plan of conversion is available by contacting Nodak Mutual’s principal executive offices located at 1101 First Avenue North, Fargo, North Dakota 58102. A copy of the plan also was sent to each policyholder of Nodak Mutual as of [•], 2016 along with the notice of the special meeting, and is available on Nodak Mutual’s website at [www.nodakmutual.com](http://www.nodakmutual.com).

A copy of the plan also is filed as an exhibit to the registration statement of which this prospectus is a part. Copies of the registration statement and exhibits may be obtained from the SEC. See “Additional Information.”

### North Dakota Conversion Law

Nodak Mutual is converting from a mutual insurance company to a stock insurance company under the North Dakota law governing the conversion of mutual property and casualty insurance companies (the “North Dakota Conversion Law”). The North Dakota Conversion Law requires the mutual insurance company to adopt a plan of conversion that grants each eligible member of the mutual insurance company subscription rights and to give eligible members the first right to purchase the capital stock of the converted stock company. The eligible members must have the subscribers the right, prior to the right of any other person, to purchase in the aggregate 100% of the capital stock of the converted stock company. The law defines “eligible member” as a member whose policy is in force on the date the plan of conversion is adopted (or the record date for voting on the plan of conversion if different than the adoption date). Therefore, policyholders of the converting mutual company on the date the plan is adopted must have the first right to purchase shares in the offering, and collectively they must have the right to purchase all of the shares being offered.

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The North Dakota Conversion Law also requires that the plan of conversion provide that if the eligible members do not purchase all of the shares being offered, the remaining shares must be sold in a public offering. The law states that the aggregate dollar value of the stock offered for sale in the offering must be equal to the estimated pro forma market value of the converted stock company, as successor to the mutual company, based upon an independent valuation by a qualified expert. The pro forma market value may be the value that is estimated to be necessary to attract full subscription for the shares, as indicated by the independent valuation and may be stated as a range. Traditionally, as in mutual to stock conversions for both mutual insurance companies and mutual savings banks, the independent valuation expert selects a midpoint valuation and then sets the offering range, with the minimum being 15% below the midpoint valuation and the maximum being 15% above the midpoint. This results in a minimum dollar amount and a maximum dollar amount for the offering.

The North Dakota Conversion Law also requires the converting mutual company to redeem for cash all subscription rights held by members who elect not to purchase stock in the offering. The law requires that the subscription rights be independently valued using the Black-Scholes option pricing model or a comparable option pricing model for determining the value of the subscription rights in connection with such redemption. Using the Black-Scholes option pricing model and the methodology provided in the law, Feldman Financial determined that the value of each subscription right was \$0.67. See “The Valuation of Nodak Mutual and the Subscription Rights.”

### **Offering of Common Stock**

In connection with the conversion, we are offering shares of our common stock to policyholders of Nodak Mutual as of January 21, 2016, our ESOP, and the directors, officers and employees of Nodak Mutual, and to the general public. The offering to policyholders of Nodak Mutual as of January 21, 2016, our ESOP, and the directors, officers and employees of Nodak Mutual is referred to as the subscription offering because each of those constituents will receive subscription rights to purchase common stock in the following order of priority:

- the policyholders of Nodak Mutual under policies of insurance in place as of January 21, 2016 (which are sometimes referred to herein as eligible members of Nodak Mutual);
- our ESOP; and
- directors, officers and employees of Nodak Mutual who are not eligible members.

We also plan to offer to sell shares of our common stock to members in a community offering to the general public consisting principally of individuals in Nodak’s market area and certain other investors who typically invest in mutual to stock conversions. We may, at our option, grant preference to any order placed by licensed insurance producers appointed by Nodak Mutual, members of the North Dakota Farm Bureau that are not policyholders, employees of Tri-State Ltd., residents of North Dakota, licensed agents appointed by American West, Battle Creek and Primero, and residents of South Dakota, Minnesota, Nebraska, Nevada and Arizona in the community offering over any other orders received in the community offering.

If subscriptions and orders are not received for all of the shares available in the subscription and community offerings, we may offer the remaining available shares to the general public in a syndicated offering managed by Griffin Financial on a best efforts basis. The syndicated offering may be conducted concurrently with or subsequent to the subscription offering and community offering.

The completion of this offering is subject to market conditions and other factors beyond our control. If the offering is not completed, our capital structure will remain unchanged. In that event, Nodak Mutual will continue to be a mutual insurance company, and all funds received with order forms will be promptly returned to purchasers without interest.

### **Effect of Offering on Policyholders of Nodak Mutual**

Upon completion of the conversion, Nodak Mutual will convert from a mutual insurance company to a stock insurance company, and all of the assets and rights of Nodak Mutual will vest in the new stock insurance company. In addition, the new stock insurance company will assume all of the obligations and liabilities of Nodak Mutual. All of the interests of the policyholders of Nodak Mutual as members in the

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mutual company will extinguish, and all policyholders of Nodak Mutual will become members of Nodak Mutual Group. The conversion will have no effect on the rights of the policyholders of Nodak Mutual under their insurance policies.

A policyholder of Nodak Mutual must have an effective insurance policy issued by Nodak Mutual in order to be a member of Nodak Mutual. The members of Nodak Mutual have the right to vote for the election of directors and on any other matters submitted to the members for their approval as provided in the articles of incorporation and bylaws of Nodak Mutual or as required by law. Unlike shares held by shareholders, however, the interests held by members have no market value because they cannot be separated from the underlying insurance policy and, in any event, are not transferable.

If the plan of conversion is not approved by at least two-thirds of the votes cast by the policyholders of Nodak Mutual as of [•], 2016, or if the conversion fails to be completed for any other reason, Nodak Mutual will continue as a mutual insurance company. In this case, the members of Nodak Mutual will retain their rights as members of Nodak Mutual as described above.

### **Continuity of Insurance Coverage and Business Operations**

The conversion will not change the insurance protection or premiums under insurance policies issued by Nodak Mutual. During and after the conversions, the normal business of issuing insurance policies will continue without change or interruption. After the conversion, Nodak Insurance Company will continue to provide services to policyholders under current policies. After completion of the conversion, Nodak Insurance Company will be managed by the board of directors of Nodak Insurance Company. Information on the officers and directors of NI Holdings, which will be the parent corporation and sole shareholder of Nodak Insurance Company, is set forth in this prospectus in “Management — Directors and Officers.”

### **Voting Rights**

As members, the policyholders of Nodak Mutual have only such voting rights as are granted by its articles of incorporation and bylaws and by North Dakota law. After the conversion, the policyholders of Nodak will have no voting rights with respect to Nodak Insurance Company. Instead, they will become members of Nodak Mutual Group and will have the right to vote in the election of directors of Nodak Mutual Group. All of the voting rights in Nodak Insurance Company will be held by NI Holdings which will own all of the outstanding capital stock of Nodak Insurance Company. Voting rights in NI Holdings will be held by the shareholders of NI Holdings, including Nodak Mutual Group, subject to the terms of our articles of incorporation and bylaws of NI Holdings and to the provisions of North Dakota law. See “Description of Our Capital Stock — Common Stock” for a description of our common stock and “Restrictions on Acquisition of NI Holdings for a description of certain provisions of NI Holdings’ articles of incorporation that affect the voting rights of shareholders of NI Holdings.

### **Subscription Offering and Subscription Rights**

In accordance with the plan of conversion, the right to subscribe for the purchase of our common stock have been granted to the following persons, listed in order of priority:

- “eligible members” (as they are referred to in the plan of conversion), which means a person or entity who is a named insured under an insurance policy issued by Nodak Mutual that is in force as of the close of business on January 21, 2016;
- Our ESOP; and
- directors, officers and employees of Nodak Mutual.

At January 21, 2016, Nodak Mutual had approximately 27,915 eligible members.

All subscriptions received will be subject to the availability of common stock after satisfaction of all subscriptions of all persons having prior rights in the subscription offering and to the maximum and minimum purchase limitations set forth in the plan of conversion and as described below under “— Limitations on Purchases of Common Stock.”

*Priority 1: Eligible Members.* Each eligible member of Nodak Mutual will have the right to purchase up to 5.0% of the total number of shares sold in the offering.

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If there are not sufficient shares available to satisfy all subscriptions by eligible members, shares will be allocated first among subscribing eligible members on a pro rata basis based on the amount that each eligible member subscribed to purchase, provided that no fractional shares will be issued.

*Priority 2: ESOP.* To the extent that there are sufficient shares remaining after satisfaction of all subscriptions by eligible members, then our ESOP will have the right to purchase up to 9.9% of the total shares of common stock sold in the offering; however our ESOP will only purchase 240,000 shares in the offering.

*Priority 3: Directors, Officers, and Employees.* To the extent that there are sufficient shares remaining after satisfaction of all subscriptions by eligible members and the ESOP, then the directors, officers, and employees of Nodak Mutual will each have the right to purchase up to 5% of the total shares of common stock sold in the offering. The ability of the directors, officers, and employees to purchase common stock under this category is in addition to rights that are otherwise available to them under the plan of conversion if they are also eligible members, provided that they do not exceed the 5% share limitation on purchases set forth in the preceding sentence. See “— Limitations on Purchases of Common Stock.” For information as to the number of shares proposed to be purchased by the directors and executive officers, see “— Proposed Management Purchases.”

In the event of an oversubscription among the directors, officers, or employees, any available shares will be allocated on a pro rata basis based on the amount that each person subscribed to purchase.

### **Community Offering**

To the extent that shares remain available for purchase after satisfaction of all subscriptions received in the subscription offering described above, we may elect to accept offers received in the community offering to the general public consisting principally of individuals in Nodak Mutual’s market area and certain other investors who typically invest in mutual to stock conversions, to the extent of any remaining shares. The community offering, if any, will commence at the same time as, during, or promptly after the subscription offering and will end no later than 45 days after the end of the subscription offering.

In the community offering, we may, at our option, grant preference to any orders received from licensed insurance producers appointed by Nodak Mutual, members of the North Dakota Farm Bureau that are not policyholders, employees of Tri-State Ltd., residents of North Dakota, licensed agents appointed by American West, Battle Creek and Primero, and residents of South Dakota, Minnesota, Nebraska, Nevada and Arizona before proceeding to accept orders from the general public.

Subject to the preferences described above, the common stock offered in the community offering will be offered and sold in a manner designed to achieve a wide distribution of the common stock. In the event of oversubscription, subject to the preferences described above and our right to accept or reject, in our sole discretion, any order received in the community offering, any available shares will be allocated among accepted orders that have not been filled on a pro rata basis based on the amount each person subscribed to purchase, subject to the applicable purchase limitations.

The opportunity to submit an order for shares of common stock in the community offering is subject to our right, in our sole discretion, to accept or reject any such orders in whole or in part either at the time of receipt of an order or as soon as practicable following the expiration of the community offering.

### **Syndicated Offering**

As a final step in the offering, if there are any shares of common stock not purchased in the subscription and community offerings, they may be offered for sale to the public in a syndicated offering consisting principally of institutional investors and the retail customers of the broker-dealers comprising the syndicate. This syndicated offering would be commenced at our sole discretion. A syndicated offering would be made through a group of registered broker-dealers to be formed and managed by Griffin Financial on our behalf. We would reserve the right to reject orders in whole or part in our sole discretion in a syndicated offering. Neither Griffin Financial nor any registered broker-dealer will have any obligation to take or purchase any shares of the common stock in the syndicated offering. However, Griffin Financial has agreed to use its best efforts in the sale of shares in any syndicated offering.

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The price at which common stock would be sold in the syndicated offering would be \$10.00 per share. Shares of common stock purchased in the syndicated offering would be combined with purchases in the subscription and community offerings for purposes of this offering's maximum purchase limitation of 5% of the total shares sold in the offering.

If a syndicated offering is held, Griffin Financial will serve as sole book-running manager. In such capacity, Griffin Financial may form a syndicate of other broker-dealers who are Financial Industry Regulatory Authority member firms. Neither Griffin Financial nor any registered broker-dealer will have any obligation to take or purchase any shares of common stock in the syndicated offering. The syndicated offering will be conducted in accordance with certain Securities and Exchange Commission rules applicable to best efforts offerings. Generally, under those rules, Griffin Financial, in its capacity as a broker-dealer, will deposit funds it receives prior to closing from interested investors into a separate noninterest-bearing bank account. If and when all the conditions for the closing are met, funds for common stock sold in the syndicated offering will be promptly delivered to us. If the offering is consummated, but some or all of an interested investor's funds are not accepted by us, those funds will be returned to the interested investor promptly, without interest. If the offering is not consummated, funds in the account will be promptly returned, without interest, to the potential investor. Normal customer ticketing will be used for order placement. In the syndicated offering, order forms will not be used.

A syndicated offering, if necessary, will terminate no more than 45 days after the end of the subscription offering.

### **Stock Pricing and Number of Shares to be Issued**

The plan of conversion requires that the purchase price of the common stock be based on the estimated pro forma market value of Nodak Mutual. The valuation may be in the form of a range consisting of a midpoint valuation, a valuation fifteen percent (15%) above the midpoint valuation and a valuation fifteen percent (15%) below the midpoint valuation. Based on the appraisal performed by Feldman Financial as of December 31, 2015, the estimated pro forma market value of Nodak Mutual is between \$170.0 million and \$230.0 million.

Under the plan of conversion, the total purchase price of the common stock to be sold in the offering must be between 45% of the minimum of the valuation range and 45% of the maximum of the valuation range for Nodak Mutual.

We determined to offer the common stock in the offering at the price of \$10 per share to ensure a sufficient number of shares are available for purchase by policyholders. In addition, Griffin Financial advised us that the \$10 per share offering price is commonly used in conversions of mutual insurance companies and savings banks and savings associations that use the subscription rights model. These were the only factors considered by our board of directors in determining to offer shares of common stock at \$10 per share. The purchase price will be \$10 per share regardless of any change in the pro forma market value of Nodak Mutual, as determined by Feldman Financial.

We plan to issue between 7,650,000 and 10,350,000 shares of our common stock in the offering. This range was determined by taking 45% of the minimum of the valuation range and 45% of the maximum of the valuation range of Nodak Mutual as determined by Feldman Financial and dividing it by the \$10.00 per share offering price.

If the gross proceeds from this offering do not fall within 45% of minimum of the valuation range and 45% of the maximum of the valuation determined by Feldman Financial, we may cancel the offering, or establish a new valuation range and hold a new offering. In either event, the funds of any person who submitted a subscription or order will be returned to such person promptly, without interest. If we proceed with a new offering we may obtain an updated valuation, and people who submitted subscriptions or orders will be promptly notified by mail of the updated valuation and revised offering range. In that case, people will be given an opportunity to place new subscriptions and orders. See "— Resolicitation."

There is a difference of approximately \$27.0 million between the low end and the high end of the range of the offering. As a result, the percentage interest in NI Holdings that a purchaser of shares of in the offering will have is greater if 7,650,000 shares are sold than if 10,350,000 shares are sold. In addition, assuming that

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the actual market value of NI Holdings will be within the broad offering range, this market value may be materially more or less than the total amount of subscriptions and orders received. Therefore, purchasers, in total and on a per share basis, may pay more for the common stock than the actual market value.

We cannot assure you that the market price for the common stock immediately following the offering will equal or exceed \$10 per share.

### **If Subscriptions Received in the Subscription Offering Meet or Exceed the Maximum Number of Shares Offered**

If, after the subscription offering, the number of shares subscribed for by eligible members, the ESOP, and the directors, officers and employees of Nodak Mutual in the subscription offering is equal to or greater than 7,650,000 shares, the offering will be promptly completed. We will, upon completion of the offering, issue shares of common stock to the subscribing participants. The number of shares of common stock issued will not exceed the 10,350,000 shares of common stock being offered. In the event of an oversubscription in the subscription offering, shares of common stock will be allocated to the subscribing participants in the priorities set forth in the plan of conversion. No fractional shares of common stock will be issued.

### **If Subscriptions Received in the Subscription Offering Meet or Exceed the Required Minimum, but not the Maximum Number of Shares Offered**

If the number of shares of common stock subscribed for by eligible members, the ESOP, and the directors, officers and employees of Nodak Mutual in the subscription offering is equal to or greater than 7,650,000 shares, but less than 10,350,000 shares, then we may choose to promptly complete the offering. However, prior to doing so, we will have the right in our absolute discretion to accept, in whole or in part, or reject orders received from any or all persons in the community offering. We may, at our option, grant preference to orders received from persons who became policyholders of Nodak after January 21, 2016, licensed insurance producers appointed by Nodak Mutual, members of the North Dakota Farm Bureau that are not policyholders, employees of Tri-State Ltd., residents of North Dakota, licensed agents appointed by American West, Battle Creek and Primero, and residents of South Dakota, Minnesota, Nebraska, Nevada and Arizona before accepting orders from any other person. We also will have the right to offer shares of common stock to purchasers in a syndicated offering. In any event, on the effective date we will issue to those persons purchasing in the subscription offering shares of common stock in an amount sufficient to satisfy the accepted subscriptions in full. No more than 10,350,000 shares of common stock will be issued in the offering. No fractional shares of common stock will be issued.

Upon completion of the offering we will first issue to subscribing eligible members, the ESOP, and directors, officers and employees of Nodak Mutual shares of common stock in an amount sufficient to satisfy their subscriptions in full. Next, we will issue to persons whose orders in the community offering (and if we conduct a syndicated offering, to persons whose orders in the syndicated offering) are accepted sufficient additional shares of common stock so that the total number of shares of common stock to be issued in the offering will be equal to at least 7,650,000 shares. No fractional shares of common stock will be issued. In order to raise additional capital, we may in our sole and absolute discretion elect to issue in excess of 7,650,000 shares of common stock by accepting orders of purchasers in the community offering and any syndicated offering. The number of shares of common stock issued in the offering cannot exceed 10,350,000 shares of common stock. See “— Community Offering” and “— Syndicated Offering” above.

### **If Subscriptions and Orders Received in all Phases of the Offering Combined Do Not Meet the Required Minimum**

If properly completed subscriptions and orders for less than 7,650,000 shares are received, then we may choose to cancel this offering and return all funds received in the offering, without interest, or we may cause a new valuation of the pro forma market value of Nodak Mutual to be performed, and based on this valuation commence a new offering of the common stock. If we elect to commence a new offering, the funds received from each purchaser will be promptly returned to such purchaser, without interest.



### **The Valuation of Nodak Mutual and the Subscription Rights**

The plan of conversion requires that the aggregate purchase price of the common stock be based on 45% of the appraised estimated pro forma market value of the common stock of Nodak Insurance Company, as determined on the basis of an independent valuation. This pro forma market value may be that value that is estimated to be necessary to attract full subscription for the shares, as indicated by the valuation. It also may be stated as a range of pro forma market values. The plan of conversion requires that the valuation of the subscription rights also be determined on the basis of an independent valuation using the Black-Scholes option pricing model or another comparable option pricing model.

The plan of conversion requires that the valuation of Nodak Mutual be made by an independent appraiser experienced in the valuation of insurance companies and that the aggregate purchase price of our common stock sold in the offering must be based on the appraised estimated pro forma market value of Nodak Mutual, as determined on the basis of such independent valuation. On December 10, 2015, Nodak Mutual retained Feldman Financial Advisors, Inc. to prepare its pro forma market valuation and the valuation of the subscription rights. Feldman Financial is engaged regularly in the valuation of insurance companies and other financial institutions. There is no pre-existing relationship between Feldman Financial and Nodak Mutual.

Feldman Financial will be paid a fixed fee of \$150,000 for its valuation of Nodak Mutual, plus out-of-pocket expenses. This fee is not contingent on the completion of the offering. We agreed, among other things, to indemnify Feldman Financial from and against any and all loss or expenses, including reasonable attorney's fees, in connection with its appraisal and other services, except if such loss or expenses are the result of a lack of good faith or gross negligence on the part of Feldman Financial. In the event that Feldman Financial is required to update its valuation of Nodak Mutual, Feldman Financial is entitled to a fee of \$12,500 from Nodak Mutual for each such update and \$7,500 for each update of its valuation of the subscription rights.

Feldman Financial performed its appraisals in reliance upon the information contained in this document and information provided by Nodak Mutual, including its financial statements. Feldman Financial also considered the following factors, among others:

- the operating results and financial condition of Nodak Mutual and current economic conditions;
- certain historical, financial and other information relating to Nodak Mutual;
- a comparative evaluation of the operating and financial statistics of Nodak Mutual with those of other selected comparable publicly traded insurance companies located in the United States;
- the size of the offering of common stock as determined by Feldman Financial;
- the impact of the conversion offering on the net worth and earnings potential of Nodak Mutual as determined by Feldman Financial;
- the trading market for securities of comparable companies and general conditions in the market for such securities; and
- the values which Feldman Financial estimates to be necessary to attract a full subscription of the offering.

In conducting its analysis of Nodak Mutual, Feldman Financial placed emphasis on various financial and operating characteristics of Nodak Mutual, including its lines of business, competitive position in the industry, relative size and premium volume, operating results in recent years, and ratio of equity capital to total assets. In addition to the factors listed above, in its review of the appraisals provided by Feldman Financial, the board of directors of Nodak Mutual reviewed the methodologies and the appropriateness of the assumptions used by Feldman Financial and determined that such assumptions were reasonable.

In preparing the appraisals, Feldman Financial visited the corporate headquarters of Nodak Mutual and conducted discussions with its management team concerning its business and future prospects. Feldman Financial reviewed and discussed with its management the unaudited GAAP financial statements of Nodak Mutual for the years ended December 31, 2015 and 2014.

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In deriving its estimate of the estimated pro forma market values of Nodak Mutual, Feldman Financial utilized the comparative market valuation approach. The comparative market valuation approach estimates a value by reviewing the relevant market pricing characteristics of comparable companies that are publicly traded. Feldman Financial selected a group of publicly traded insurance companies based on criteria relating to asset size, marketability and liquidity of stock, market segment and product lines, among other factors. In determining the composition of the comparative group, Feldman Financial focused exclusively on publicly traded insurance companies. Feldman Financial utilized the asset size and market capitalization selection criteria to encompass a meaningful number of companies for inclusion in the comparative group. The size and market capitalization criteria considered companies included in the lower quartile of all publicly traded property and casualty companies.

Feldman Financial reviewed the trading market price ratios of the comparable companies for the purpose of developing valuation ratio benchmarks to reach an estimate of value for Nodak Mutual. The principal valuation measures considered by Feldman Financial were the price-to-book value and price-to-earnings ratios. Based on the quantitative and qualitative comparisons of Nodak Mutual with the selected group of publicly traded companies, Feldman Financial applied adjusted market pricing ratios to the pro forma financial data to determine the estimated pro forma market values. The market pricing ratios determined by Feldman Financial took into account market value adjustments for earnings prospects, management, liquidity of the shares of common stock, subscription interest, stock market conditions, dividend outlook and the new issue discount warranted for an equity securities offering.

Company	Total Market Value (\$mil.)	Price/Book Value (%)	Price/LTM EPS (x)	Price/Oper. EPS (x)	Price/Total Rev. (x)	Price/Total Assets (%)	Total Equity/Assets (%)	Current Div. Yield (%)
Nodak Mutual Insurance Company <sup>(1)</sup>								
Pro Forma Minimum	170.0	57.2	8.8	9.2	1.14	42.46	75.14	0.00
Pro Forma Midpoint	200.0	61.2	10.1	10.7	1.34	46.53	76.84	0.00
Pro Forma Maximum	230.0	64.6	11.5	12.1	1.53	50.08	78.32	0.00
Comparative Group Median	243.9	101.3	10.4	11.3	1.04	39.34	31.91	1.24
Comparative Group Mean	244.0	110.7	11.0	11.5	0.98	36.96	33.20	1.75
<b>Comparative Group</b>								
Atlas Financial Holdings, Inc.	208.9	172.7	15.5	14.4	1.33	50.76	31.49	0.00
Baldwin & Lyons, Inc.	364.9	93.1	15.8	15.3	1.30	33.61	36.33	4.26
Donegal Group, Inc.	394.2	97.8	16.1	13.5	0.62	25.64	26.56	3.59
EMC Insurance Group, Inc.	554.2	104.7	10.9	11.8	0.89	36.08	34.18	2.87
Federated National Holding Company	273.7	113.0	6.5	6.9	1.10	42.89	39.29	1.26
First Acceptance Corporation	69.8	67.3	NM	NA	0.21	17.36	25.78	0.00
Hallmark Financial Services, Inc.	214.1	82.3	10.0	10.9	0.57	19.88	24.34	0.00
HCI Group, Inc.	323.1	129.7	5.1	NA	1.13	50.72	37.32	4.01
Kingstone Companies, Inc.	73.8	151.0	9.9	9.8	1.15	49.50	30.36	2.68
National Security Group, Inc.	39.7	88.6	8.5	9.1	0.62	26.84	30.31	1.14
Unico American Corporation	59.7	85.0	NM	NA	1.79	42.59	50.18	0.00
United Insurance Holdings Corp.	352.2	143.6	11.6	NA	0.98	47.60	32.32	1.23

(1) Assumes sales of 100% of the pro forma total outstanding shares of common stock in the conversion offering.

Source: Nodak Mutual; SNL Financial; Feldman Financial.

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The following table sets forth the publicly traded insurance companies used by Feldman Financial in its comparative market valuation approach and certain financial data reviewed by Feldman Financial regarding these companies and Nodak Mutual as of or for the last twelve months (LTM) ended December 31, 2015.

	Total Assets (\$mil.)	Total Policy Resrvs. (\$mil.)	Total Equity (\$mil.)	Policy Resrvs./ Equity (x)	Cash & Invest./ Assets (%)	Total Equity/ Assets (%)	LTM ROA (%)	LTM ROE (%)
Nodak Mutual Insurance Company	261.2	98.8	150.5	0.66	76.54	57.62	6.87	12.25
Comparative Group Median	637.6	295.1	238.5	1.74	68.06	31.91	3.24	10.15
Comparative Group Mean	708.5	399.0	225.9	1.72	69.79	33.20	3.34	10.37
<b>Comparative Group</b>								
Atlas Financial Holdings, Inc.	411.6	235.2	129.6	1.81	56.69	31.49	3.84	11.86
Baldwin & Lyons, Inc.	1,085.8	538.9	394.5	1.37	67.59	36.33	2.09	5.83
Donegal Group Inc.	1,537.8	1,007.7	408.4	2.47	60.41	26.56	1.39	4.89
EMC Insurance Group Inc.	1,536.0	926.9	524.9	1.77	92.19	34.18	3.29	9.66
Federated National Holding Company	638.3	351.3	250.8	1.40	68.52	39.29	6.85	17.65
First Acceptance Corporation	402.1	205.5	103.7	1.98	64.46	25.78	(0.51)	(1.82)
Hallmark Financial Services, Inc.	1,076.6	667.3	262.0	2.55	65.19	24.34	2.11	8.39
HCI Group Inc.	637.0	239.0	237.7	1.01	78.60	37.32	9.89	30.24
Kingstone Companies, Inc.	149.1	90.0	45.3	1.99	60.62	30.36	4.91	16.39
National Security Group, Inc.	148.1	77.0	44.9	1.72	80.57	30.31	3.19	10.64
Unico American Corporation	140.2	67.2	70.3	0.95	70.01	50.18	(0.86)	(1.66)
United Insurance Holdings Corp.	740.0	381.4	239.2	1.59	72.63	32.32	3.86	12.35

Source: Nodak Mutual; SNL Financial.

The following table sets forth for the publicly traded insurance companies used by Feldman Financial certain market valuation data reviewed by Feldman Financial regarding these companies based on closing market prices as of April 29, 2016.

	Total Assets (\$mil.)	Total Policy Resrvs. (\$mil.)	Total Equity (\$mil.)	Policy Resrvs./ Equity (x)	Cash & Invest./ Assets (%)	Total Equity/ Assets (%)	LTM ROA (%)	LTM ROE (%)
Nodak Mutual Insurance Company <sup>(1)</sup>								
Pro Forma Minimum	170.0	57.2	8.8	9.2	1.14	42.46	75.14	0.00
Pro Forma Midpoint	200.0	61.2	10.1	10.7	1.34	46.53	76.84	0.00
Pro Forma Maximum	230.0	64.6	11.5	12.1	1.53	50.08	78.32	0.00
Comparative Group Median	243.9	101.3	10.4	11.3	1.04	39.34	31.91	1.24
Comparative Group Mean	244.0	110.7	11.0	11.5	0.98	36.96	33.20	1.75
<b>Comparative Group</b>								
Atlas Financial Holdings, Inc.	208.9	172.7	15.5	14.4	1.33	50.76	31.49	0.00
Baldwin & Lyons, Inc.	364.9	93.1	15.8	15.3	1.30	33.61	36.33	4.26
Donegal Group Inc.	394.2	97.8	16.1	13.5	0.62	25.64	26.56	3.59
EMC Insurance Group Inc.	554.2	104.7	10.9	11.8	0.89	36.08	34.18	2.87
Federated National Holding Company	273.7	113.0	6.5	6.9	1.10	42.89	39.29	1.26
First Acceptance Corporation	69.8	67.3	NM	NA	0.21	17.36	25.78	0.00
Hallmark Financial Services, Inc.	214.1	82.3	10.0	10.9	0.57	19.88	24.34	0.00
HCI Group Inc.	323.1	129.7	5.1	NA	1.13	50.72	37.32	4.01
Kingstone Companies, Inc.	73.8	151.0	9.9	9.8	1.15	49.50	30.36	2.68
National Security Group, Inc.	39.7	88.6	8.5	9.1	0.62	26.84	30.31	1.14
Unico American Corporation	59.7	85.0	NM	NA	1.79	42.59	50.18	0.00
United Insurance Holdings Corp.	352.2	143.6	11.6	NA	0.98	47.60	32.32	1.23

(1) Assumes sale of 100% of the pro forma total outstanding shares of common stock in the conversion offering.

Source: Nodak Mutual; SNL Financial; Feldman Financial.

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Based on its comparative analyses, Feldman Financial concluded that the estimated pro forma market value warranted a discount in the range of approximately 35% to 45% relative to the comparative group for Nodak Mutual based on the price-to-book value ratio. In performing its analyses, Feldman Financial considered adjustments to the estimated pro forma market value based on a comparison of Nodak Mutual with the comparative group of publicly traded companies. Feldman Financial made an upward adjustment for earnings prospects and applied a downward adjustment for the new issue discount associated with an initial public offering of equity securities. The new issue discount also took into consideration the significantly high capital position of Nodak Mutual on a fully converted basis as measured by the pro forma equity-to-assets ratio and the resulting challenge of generating competitive returns on equity. Feldman Financial made no adjustments for management, liquidity of the shares of common stock, subscription interest, stock market conditions, or dividend outlook. Based on the price-to-earnings ratio, the resulting range of value reflected a discount of approximately 15% at the minimum valuation and a premium of approximately 10% at the maximum valuation as compared to the comparative group's median price-to-earnings ratio.

Feldman Financial's valuation appraisal of the estimated pro forma market value of Nodak Mutual was prepared as of April 29, 2016 based on our financial data as of December 31, 2015. Feldman Financial has agreed to update its valuations as requested by us. These updates will consider developments in general stock market conditions, current stock market valuations for selected insurance companies, the results of the subscription offering, and the recent financial condition and operating performance of Nodak Mutual.

On the basis of the foregoing, Feldman Financial gave its opinion, dated April 29, 2016, that the estimated pro forma market value of Nodak Mutual on a fully converted basis ranged from a minimum of \$170,000,000 to a maximum of \$230,000,000 with a midpoint of \$200,000,000. We determined that the common stock should be sold at \$10.00 per share and that only 45% of the shares would be offered for sale in this offering, resulting in a range of 7,650,000 to 10,350,000 shares of common stock being offered. The offering range may be amended if required or if necessitated by subsequent developments in the financial condition of Nodak Mutual or market conditions generally. In the event the offering range is updated to amend the pro forma market value of Nodak Mutual below \$170,000,000 or above \$230,000,000, and we decide to proceed with the offering, the new appraisal will be filed with the SEC by post-effective amendment to the registration statement of which this prospectus is a part.

Depending upon market or financial conditions, the total number of shares of common stock offered may be increased or decreased without a resolicitation of members, provided that the aggregate gross proceeds are not below the minimum or more than the maximum of the offering range. In the event market or financial conditions change so as to cause the aggregate purchase price of the shares to be below the minimum of the offering range, purchasers will be resolicited and be permitted to continue their orders, in which case they will need to confirm their subscriptions prior to the expiration of the resolicitation offering or their subscription funds will be promptly refunded, or be permitted to modify or rescind their subscriptions. If the number of shares of common stock issued in the offering is increased due to an increase in the offering range to reflect changes in market or financial conditions, persons who subscribed for the maximum number of shares will be given the opportunity to subscribe for the adjusted maximum number of shares. See "— Limitations on Purchases of Common Stock."

An increase in the number of shares of common stock as a result of an increase in the estimated pro forma combined market value would decrease both a purchaser's ownership interest and NI Holdings' pro forma shareholders' equity on a per share basis while increasing pro forma shareholders' equity on an aggregate basis. A decrease in the number of shares of common stock would increase both a purchaser's ownership interest and NI Holdings' pro forma shareholders' equity on a per share basis while decreasing pro forma shareholders' equity on an aggregate basis. The effect on pro forma net income and pro forma net income per share of any increase or decrease in the number of shares issued will depend on the manner in which we use the proceeds from the offering. See "Unaudited Pro Forma Financial Information."

The plan of conversion and the North Dakota mutual to stock conversion act require that the subscription rights be independently valued using the Black-Scholes option pricing model or a comparable option pricing model. Feldman Financial used the Black-Scholes option pricing model to determine the value of a subscription right.

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The Black-Scholes model is a model for mathematically pricing financial instruments such as an option. The subscription rights granted under the plan are options to acquire stock of NI Holdings. In the context of the valuation of an option, the model assumes that the price of the underlying stock follows a constant drift and volatility. When applied to a stock option, the model requires five inputs:

- the price of the underlying stock;
- the constant price variation, or volatility, of the underlying stock;
- the time value of money;
- the option's exercise price; and
- the time to the option's expiration.

For a subscription right, the price of the underlying stock and the exercise price are the same — the \$10 per share offering price. The time value of money is the interest rate on a risk free asset with a comparable term, which in this case is the interest rate on a three-month U.S. treasury bill at December 31, 2015, or 0.16%. Because NI Holdings' stock does not trade there is no observable volatility so the North Dakota law allows the appraiser to use the average volatility of the stock of the peer group that the appraiser used to determine the value of Nodak Mutual as a whole. Feldman Financial determined that the average volatility of the peer group's stock over the last year was 33.6%. Finally, even though the subscription rights will have a term of approximately forty-five (45) days, the law instructs the appraiser to assume that the subscription right has a term of 90 days solely for purposes of determining the subscription right value. This is because using the actual term of the option of approximately 45 days would result in a very small value. The plan further specifies that the number of rights will equal the midpoint of the valuation range divided by the offering price and the rights will be allocated on a per capita basis to eligible members.

On the basis of the foregoing, Feldman Financial gave its opinion, dated April 29, 2016, that the value of a subscription right to acquire stock of NI Holdings in this offering is \$0.67. Because the midpoint of the offering is \$90 million, the offering price is \$10 per share and there are 27,915 eligible members, each eligible member will receive 322 subscription rights (The midpoint of the offering range divided by \$10 divided by the number of eligible members). If an eligible member elects to redeem such member's subscription rights, Nodak Mutual will pay the eligible member \$215.74 as the redemption price for such subscription rights (322 subscription rights multiplied by \$0.67 per subscription right). The offering range may be amended if required or if necessitated by subsequent developments in the financial condition of Nodak Mutual or market conditions generally. In the event the offering range is updated to amend the pro forma market value of Nodak Mutual, the value of a subscription right will also be updated. If we decide to proceed with the offering, this new subscription right value will be filed with the SEC by post-effective amendment to the registration statement of which this prospectus is a part.

The appraisal report of Feldman Financial is an exhibit to the registration statement of which this prospectus is a part, and is available for inspection in the manner set forth under "Additional Information."

The Department is not required to review or approve the valuation prepared by Feldman Financial in connection with this offering.

**The valuation is not intended, and must not be construed, as a recommendation of any kind as to the advisability of purchasing common stock or redeeming subscription rights. In preparing the valuation, Feldman Financial relied upon and assumed the accuracy and completeness of financial, statistical and other information provided to it by Nodak Mutual. Feldman Financial did not independently verify the financial statements and other information provided to it by Nodak Mutual, nor did Feldman Financial value independently Nodak Mutual's assets and liabilities. The valuation considers Nodak Mutual only as a going concern and should not be considered as an indication of NI Holdings' liquidation value. The valuation is necessarily based upon estimates and projections of a number of matters, all of which are subject to change from time to time. We cannot assure you that persons purchasing common stock will be able to sell such shares at or above the initial purchase price. A copy of the valuation report of Feldman Financial setting forth the method and assumptions for its**

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**valuation is on file and available for inspection at our principal executive offices. Any subsequent updated valuation reports of Feldman Financial will be available for inspection.**

### **Offering Deadline**

The stock offering will expire at noon, Central Time, on \_\_\_\_\_, 2016, unless on or prior to that date our board of directors extends the offering, which we may do without notice to you. Subscription rights not exercised prior to the termination date of this offering will no longer be exercisable and will be redeemed. See “— Redemption of Subscription Rights.” If this offering is extended more than 45 days after the original expiration date, we will return all of the funds received from purchasers, without interest, and we will resolicit members offering them the opportunity to submit new orders. We reserve the right in our sole discretion to terminate the offering at any time and for any reason, in which case we will cancel your order and return your payment without interest.

Subscriptions and orders for common stock will not be accepted by us until we receive subscriptions and orders for at least 7,650,000 shares of common stock. If we have not received subscriptions and orders for at least 7,650,000 shares of common stock by the expiration date of this offering, all funds delivered to us for the purchase of stock in this offering will be promptly returned to purchasers without interest.

### **Use of Order Forms in This Offering**

Any person or entity who wants to subscribe for or order shares of common stock in this offering must sign and complete the stock order form and return it to us so that it is received (not postmarked) no later than noon, Central Time, on \_\_\_\_\_, 2016, together with full payment for all shares for which the order is made. The stock order form should be delivered in-person at our offices or mailed to the Stock Information Center at 1101 First Avenue North, Fargo, North Dakota 58102. Payment by personal check, bank cashier’s check or money order must accompany the stock order form. No cash, wire transfers, or third party checks will be accepted in the subscription offering. All checks or money orders must be made payable to “Christiana Trust on behalf of Nodak Holdings, Inc.” Unless the subscription offering is extended, all subscription rights under the offering will expire at noon, Central Time, on the termination date of this offering, whether or not we have been able to locate each person or entity entitled to subscription rights. Once tendered, orders to purchase common stock in the offering cannot be modified or revoked without our consent.

No prospectus will be mailed any later than five days prior to the termination date of this offering, or hand delivered any later than two days prior to such date. This procedure is intended to ensure that each purchaser receives a prospectus at least 48 hours prior to the termination of the offering in accordance with Rule 15c2-8 under the Securities Exchange Act of 1934. Execution of the stock order form will confirm receipt or delivery in accordance with Rule 15c2-8. Stock order forms will be distributed only with or preceded by a prospectus. Photocopies and facsimile copies of stock order forms will not be accepted.

A subscription right may be exercised only by the eligible member, or the director, officer, or employee to whom it is issued and only for his or her own account. Except for the limited transfers listed below, the subscription rights granted under the plan of conversion are nontransferable. An eligible member may transfer all, but not less than all, of such member’s subscription rights only as follows, and any other attempted transfer will be void and not recognized:

- (i) to such member’s spouse or children;
- (ii) to a trust or other estate or wealth planning entity established for the benefit of such member or such member’s spouse or children;
- (iii) such member’s individual or joint individual retirement account (an IRA) or other tax qualified retirement plan; or
- (iv) to Nodak Holdings in connection with the redemption of such subscription rights. See “Redemption of Subscription Rights” below.

Each eligible member, director, officer, or employee subscribing for shares of common stock is required to represent that he or she is purchasing the shares for his or her own account. Each eligible member, director, officer, or employee also must represent that he or she has no agreement or understanding with any other

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person or entity for the sale or transfer of the shares. We are not aware of any restrictions that would prohibit persons who purchase shares of common stock in the offering and who are not executive officers or directors of NI Holdings, Inc. or Nodak Mutual Group from freely transferring shares after the offering. See “— Limitations on Resales” herein.

**If an eligible member transfers his or her subscription rights as permitted above, neither the eligible member nor the transferee of such subscription rights will have the right to have such subscription rights redeemed if they are not exercised.** See “— Redemption of Subscription Rights.”

We shall have the absolute right, in our sole discretion, and without liability to any person, to reject any stock order form, including but not limited to a stock order form that is:

- not timely received;
- improperly completed or executed;
- not accompanied by payment in full for the shares of common stock subscribed for in the form; or
- submitted by a person who we believe is making false representations or who we believe may be violating, evading or circumventing the terms and conditions of the plan of conversion.

We may, but are not required to, waive any incomplete, inaccurate or unsigned stock order form. We also may require the submission of a corrected stock order form or the remittance of full payment for the shares of common stock subscribed for by any date that we specify. Our interpretations of the terms and conditions of the plan of conversion and determinations concerning the acceptability of the stock order forms will be final, conclusive and binding upon all persons. We (and our directors, officers, employees and agents) will not be liable to any person or entity in connection with any interpretation or determination.

### **Redemption of Subscription Rights**

The plan specifies that the number of subscription rights equals the midpoint of the offering range divided by the offering price, and the plan further specifies that subscription rights will be allocated on a per capita basis to eligible members. Because the midpoint of the offering range is \$90 million, the offering price is \$10 per share and there are 27,915 eligible members, each eligible member will receive 322 subscription rights. (The midpoint of offering range divided by \$10 divided by the number of eligible members.) Each subscription right has been valued at \$0.67 per right, which is the redemption price. The redemption price for the subscription rights was determined by Feldman Financial using the Black-Scholes option pricing methodology prescribed by the North Dakota property and casualty insurance company conversion law. For a description of this methodology, see “— The Valuation of Nodak Mutual and the Subscription Rights”.

Each eligible member may either:

- exercise such subscription rights in whole or in part, or
- elect, either affirmatively or by failing to exercise such subscription rights, to have Nodak Insurance Company redeem for cash all, but not less than all, of such eligible member’s subscription rights. Because each subscription right has a value of \$0.67, each eligible member who does not exercise such eligible member’s subscription rights will receive cash in the amount of \$215.74.

**Any eligible member who has his or her subscription rights redeemed will not be permitted to purchase shares of NI Holdings in the offering. If an eligible member transfers such member’s subscription rights to a permitted transferee, such subscription rights are no longer redeemable.**

### **Payment for Shares**

When you submit a completed stock order form to us, you must include payment in full for all shares of common stock covered by such order form. Payment may be made by personal check, bank cashier’s check or money order in U.S. dollars and must be made payable to “Christiana Trust on behalf of NI Holdings, Inc.” Payments will be placed in an escrow account at Christiana Trust, who will serve as the escrow agent. The escrow account will be administered by the escrow agent. An executed stock order form, once received by us, may not be modified or rescinded without our consent. Funds accompanying stock order forms will not be released to us until the offering is completed.

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### **Delivery of Certificates**

All shares of common stock of NI Holdings sold in the subscription offering and community offering will be issued in book entry form and held electronically on the books of our transfer agent. Stock certificates will not be issued. A statement reflecting ownership of shares of common stock sold in the offering will be mailed by our transfer agent to the persons entitled thereto at the address noted by them on their stock order form as soon as practicable following consummation of the conversions. Shares of common stock sold in the syndicated offering may be delivered electronically through the services of The Depository Trust Company. We expect trading in the stock to begin on the business day of or on the business day immediately following the completion of the conversions and stock offering. **It is possible that until a statement reflecting ownership of shares of common stock is available and delivered to purchasers, purchasers might not be able to sell the shares of common stock that they ordered, even though the common stock will have begun trading.** Your ability to sell the shares of common stock before receiving your statement will depend on arrangements you may make with a brokerage firm.

### **Stock Information Center**

If you have any questions regarding the offering, please call the Stock Information Center at [•], Monday through Friday from 10:00 a.m. to 4:00 p.m., Central Time or write to us at Nodak Mutual Insurance Company, 1101 First Avenue North, Fargo, North Dakota 58102. The Stock Information Center will be closed on weekends and bank holidays. Our Stock Information Center is located at our offices at 1101 First Avenue North, Fargo, North Dakota 58102. Additional copies of the materials will be available at the Stock Information Center.

### **Marketing and Underwriting Arrangements**

We have engaged Griffin Financial as a placement agent in connection with the offering of the common stock in the offering. Griffin Financial has agreed to use its best efforts to assist us with the solicitation of subscriptions and purchase orders for shares of common stock in the offering.

Stevens & Lee is acting as our counsel in connection with the offering. Griffin Financial is an affiliate of Stevens & Lee. You should be aware that conflicts of interest may arise in connection with this transaction. NI Holdings has retained independent counsel to help address these conflicts of interest, which potentially include differences between NI Holdings' interest in proceeding with the offering and that of Griffin Financial.

Pursuant to our engagement letter with Stevens & Lee, Stevens & Lee has agreed to perform its services in connection with the offering based on its standard hourly rates plus out-of-pocket expenses. Stevens & Lee has estimated that its legal fees in connection with the offering will not exceed \$450,000.

Griffin Financial will receive \$100,000 plus an amount equal to 2.0% of the aggregate dollar amount of stock sold in the subscription and community offering, which shall be deemed a commission payable to Griffin for its services. Griffin Financial has already been paid a \$100,000 retainer fee, which will be credited against any commissions owed to Griffin Financial in connection with the offering. If the offering is not completed, Griffin Financial will repay any portion of the \$100,000 retainer fee to the extent required under FINRA Rule 5110(f)(2)(C).

In the event the offering is abandoned for any reason, we will pay Stevens & Lee its accrued and unpaid legal fees.

In the event of a syndicated offering, a syndicate of broker-dealers managed by Griffin Financial will be formed for purposes of completing the syndicated offering. We have agreed to pay Griffin Financial a fee of 6.5% of the aggregate dollar amount of stock sold in the syndicated offering.



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The following table sets forth commissions payable to Griffin Financial at the minimum and maximum number of shares sold in the offering, assuming that no shares are sold in a syndicated offering. Because we pay a higher commission with respect to shares sold in any syndicated offering, commissions would be higher if a syndicated offering is undertaken.

	<u>Minimum</u> <u>(7,650,000 shares)</u>	<u>Maximum</u> <u>(10,350,000 shares)</u>
Commissions	\$ 1,630,000 <sup>(1)</sup>	\$ 2,170,000 <sup>(1)</sup>

(1) Includes the \$100,000 retainer already paid to Griffin Financial.

Fees to Griffin Financial and to any other broker-dealer will be deemed to be underwriting commissions. Griffin Financial and any other broker-dealers will be deemed to be underwriters in connection with the offering. If the offering is not consummated or Griffin Financial ceases under certain circumstances to provide assistance to us, Griffin Financial will be reimbursed for its reasonable out-of-pocket expenses. If we enter into a transaction in which we form a mutual holding company, make a stock offering, or both within two years after any termination of the engagement letter between Griffin Financial and us, Griffin Financial will be entitled to payment of the fee described above unless we terminate the engagement for cause.

The Griffin Financial engagement letter also contains customary indemnification provisions. We have agreed to indemnify Griffin Financial for its liabilities, costs and expenses, including legal fees, incurred in connection with certain claims or litigation arising out of or based upon untrue statements or omissions contained in this prospectus, including liabilities under the Securities Act of 1933.

Computershare, Inc. will perform records management services, and Christiana Trust will provide escrow agent services for us in the offering. Computershare, Inc. and Christiana Trust will each receive fees for these services, plus reimbursement of reasonable out-of-pocket expenses incurred in performing these services.

Our directors and executive officers may participate in the solicitation of offers to purchase common stock in this offering. Questions from prospective purchasers will be directed to executive officers or registered representatives. Our employees have been instructed not to solicit offers to purchase common stock or provide advice regarding the purchase of common stock. We will rely on Rule 3a4-1 under the Exchange Act, and sales of common stock will be conducted within the requirements of Rule 3a4-1, so as to permit officers, directors and employees to participate in the sale of common stock. None of our officers, directors or employees will be compensated in connection with his or her participation in this offering.

### **Limitations on Purchases of Common Stock**

The plan of conversion provides for certain limitations on the purchase of shares in the offering:

- No person or entity may purchase fewer than 25 shares of common stock in the offering;
- No purchaser may purchase more than 5% of the total shares of common stock sold in the offering; and
- No purchaser, together with such purchaser's affiliates and associates or a group acting in concert, may purchase more than 5% of the total shares of common stock sold in the offering.

Therefore, if any of the following persons purchase stock, their purchases when combined with your purchases cannot exceed 5% of the total shares of common stock sold in the offering:

- any corporation or organization of which you are an officer or partner or the beneficial owner of 10% or more of any class of equity securities;
- any trust or other estate in which you have a substantial beneficial interest or as to which you serve as trustee or in a similar fiduciary capacity;
- any of your relatives or your spouse, or any relative of your spouse, who lives at home with you;
- any person or entity who you control, who controls you, or who together with you is controlled by the same third party;

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- any person or entity who is knowingly participating with you in a joint activity or interdependent conscious parallel action toward a common goal; or
- any person or entity with whom you are combining or pooling voting or other interests in the securities of an issuer for a common purpose pursuant to any agreement or relationship.

There are approximately 27,915 eligible members of Nodak Mutual, as determined by reference to the number of policyholders of Nodak Mutual as of January 21, 2016. If subscriptions by eligible members for common stock exceed the maximum of the estimated valuation range based on Feldman Financial's valuation of Nodak Insurance, we will be obligated to sell to eligible members the maximum number of shares offered. Except as set forth below under "— Proposed Management Purchases," we are unable to predict the number of eligible members that may participate in the subscription offering or the extent of any participation.

The directors of Nodak Mutual will not be deemed to be associates of one another or a group acting in concert with other directors solely as a result of membership on such board of directors.

Subject to any required regulatory approval and the requirements of applicable law, we may increase or decrease any of the purchase limitations at any time. If the individual purchase limitation is increased, we will permit any person or entity who subscribed for the maximum number of shares of common stock to purchase an additional number of shares up to the revised maximum. These additional shares will be subject to the rights and preferences of any person or entity who has priority subscription rights. If the individual purchase limitation or the number of shares of common stock to be sold is decreased, the order of any person or entity who subscribed for the maximum number of shares will be decreased to the new maximum. In the event that we change the maximum purchase limitation, we will distribute a prospectus supplement or revised prospectus to each person who placed an order for the previous maximum number of shares that an individual could purchase.

Each person or entity purchasing common stock in the offering will be deemed to confirm that the purchase does not conflict with the purchase limitations under the plans of conversion or otherwise imposed by law. If any person or entity violates the purchase limitations, we will have the right to purchase from that person or entity, at the purchase price of \$10.00 per share, all shares acquired by the person or entity in excess of the purchase limitation. If the person or entity has sold these excess shares, we are entitled to receive the difference between the aggregate purchase price paid by the person or entity for the excess shares and the proceeds received by the person from the sale of the excess shares. This right of NI Holdings to purchase excess shares is assignable.

We have the right in our sole and absolute discretion and without liability to any purchaser, underwriter or any other person or entity to determine which orders, if any, to accept in the community offering or in the syndicated offering. We have the right to accept or reject any order in whole or in part for any reason or for no reason. We also have the right to determine whether and to what extent shares of common stock are to be offered or sold in a syndicated offering.

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### **Proposed Management Purchases**

The following table lists the approximate number of shares of common stock that each of the directors and executive officers of Nodak Mutual Group, Inc., NI Holdings, Inc., and Nodak Mutual Insurance Company intend to purchase in the offering. These numbers include shares that each person and his associates intend to purchase. The persons listed below do not have any agreements or obligation to purchase the amounts shown below. Each director or executive officer may elect to purchase an amount greater or less than those shown below, except that his or her purchase may not exceed 5% of the total shares sold in the offering. For purposes of the following table, we have assumed that sufficient shares will be available to satisfy subscriptions in all categories.

<b>Name</b>	<b>Amount (\$)</b>	<b>Number of Shares<sup>(1)</sup></b>	<b>Percent<sup>(1)</sup></b>
<b>Directors:</b>			
Eric K. Aasmundstad	\$ 100,000	10,000	*
Mark Andrews	—	—	*
Christopher E. Brossart	10,000	1,000	*
Thomas E. Christensen	50,000	5,000	*
Robert J. Christman	5,000	500	*
William R. Devlin	50,000	5,000	*
Duaine C. Espegard	200,000	20,000	*
Francis P. Keogh	10,000	1,000	*
Wesley J. Klein	3,000	300	*
Stephen V. Marlow	20,000	2,000	*
Jeffry R. Missling	10,000	1,000	*
Dennis J. Renner	50,000	5,000	*
Terry M. Wanzek	50,000	5,000	*
<b>Executive Officers:</b>			
Michael J. Alexander	25,000	2,500	*
Brian R. Doom	25,000	2,500	*
Patrick W. Duncan	5,000	500	*
	<u>\$ 613,000</u>	<u>61,300</u>	<u>*</u>

(1) Assumes that 7,650,000 shares are issued in the offering.

### **Limitations on Resales**

The common stock issued in the offering will be freely transferable under the Securities Act of 1933. However, the transfer of shares issued to our directors and officers will be restricted for a period of one year from the effective date of the offering. The directors and officers of NI Holdings also are subject to additional resale restrictions under Rule 144 of the Securities Act of 1933. Shares of common stock issued to directors and officers will bear a legend giving appropriate notice of these restrictions. We will give instructions to the transfer agent for the common stock regarding these transfer restrictions. Any shares issued to the directors and officers of NI Holdings as a stock dividend, stock split or otherwise with respect to restricted stock will be subject to the same restrictions. Shares acquired by the directors and officers after the completion of the offering will be subject to the requirements of Rule 144. See “Management — Directors and Officers.”

### **Amendment or Termination of Plans of Conversion**

The plan of conversion and this offering may be terminated at any time by the board of directors in its sole discretion.

## FEDERAL INCOME TAX CONSIDERATIONS

### General

The statements of United States federal income tax law, or legal conclusions with respect to United States federal income tax law, in the following discussion constitute the opinion of Stevens & Lee on the material federal income tax considerations with respect to:

- Nodak Mutual upon the conversion of Nodak Mutual from a mutual insurance company to a stock company;
- eligible members that are U.S. Persons that hold their membership rights in Nodak Mutual as a capital asset within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (which we refer to as the Code), of the receipt, exercise and lapse of subscription rights to purchase shares of the common stock of NI Holdings, Inc. (which we refer to as our common stock) in the subscription offering;
- eligible members that are U.S. Persons that purchase shares of our common stock in the subscription offering upon the exercise of subscription rights and hold their shares of our common stock as a capital asset within the meaning of Section 1221 of the Code, of the acquisition, ownership and disposition of shares of our common stock purchased in the subscription offering;
- other investors that are U.S. Persons that purchase shares of our common stock in the community offering and hold their shares of our common stock as a capital asset within the meaning of Section 1221 of the Code, of the acquisition, ownership and disposition of shares of our common stock purchased in the community offering; and
- eligible members that have their subscription rights redeemed for cash.

The following discussion is based, primarily, on private letter rulings that have been issued by the Internal Revenue Service to certain corporations unrelated to NI Holdings that have engaged in transactions that are analogous to the conversion. Under the Code, private letter rulings are directed only to the taxpayer that requested the rulings and they may not be used or cited as precedent by other taxpayers. In addition, some of the discussion below under “— Tax Consequences of Subscription Rights,” has not been addressed by any official authority or is outside the scope of the private letter rulings that have been issued by the Internal Revenue Service and is based on interpretation of the Code, Treasury regulations promulgated under the Code, judicial authorities, published positions of the Internal Revenue Service and other applicable authorities, all as in effect on the date of this discussion and all of which are subject to change (possibly with retroactive effect) and to differing interpretations. No assurance can be given that the Internal Revenue Service would not assert, or that a court would not sustain, a position contrary to any part of the discussion under “— Tax Consequences of Subscription Rights,” below.

The following discussion is directed solely to eligible members of Nodak Mutual that are U.S. Persons and hold membership rights in a qualifying policy as a capital asset within the meaning of Section 1221 of the Code and other investors that are U.S. Persons that purchase shares of our common stock in the community offering and hold their shares of our common stock as a capital asset within the meaning of Section 1221 of the Code, and it does not purport to address all of the United States federal income tax consequences that may be applicable to Nodak Mutual or to the individual circumstances of particular categories of eligible members of Nodak Mutual or other investors, in light of their specific circumstances. For example, if a partnership holds membership rights in a qualifying policy, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership that holds membership rights in a qualifying policy, you should consult your tax advisor. In addition, the following discussion does not address aspects of United States federal income taxation that may be applicable to eligible members of Nodak Mutual or other investors subject to special treatment under the Code, such as financial institutions, insurance companies, pass-through entities, regulated investment companies, real estate investment trusts, financial asset securitization investment trusts, dealers or traders in securities, or tax-exempt organizations, or any aspect of the U.S. alternative minimum tax or state, local or foreign tax consequences of the proposed transactions.

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For purposes of this discussion, the term “U.S. Person” means (a) a citizen or resident of the United States, (b) a corporation, or entity treated as corporation, created or organized in or under the laws of the United States or any political subdivision thereof, (c) an estate the income of which is subject to United States federal income taxation regardless of its source, (d) a trust if either (i) a court within the United States is able to exercise primary supervision over the administration of such trust and one or more U.S. Persons have the authority to control all substantial decisions of such trust or (ii) the trust has a valid election in effect to be treated as a U.S. Person for United States federal income tax purposes, or (e) any other person or entity that is treated for United States federal income tax purposes as if it were one of the foregoing.

**This discussion does not constitute tax advice and is not intended to be a substitute for careful tax planning. Each eligible member is urged to consult its own tax advisor with respect to the U.S. federal, state, local and non-U.S. income and other tax consequences of the receipt, exercise and lapse of subscription rights to purchase shares of our common stock in the subscription offering. Each prospective purchaser of shares of our common stock is urged to consult its own tax advisor with respect to the U.S. federal, state, local and non-U.S. income and other tax consequences of the acquisition, ownership and disposition of shares of our common stock purchased pursuant to this offering.**

### **The Conversion**

For federal income tax purposes:

- the conversion of Nodak Mutual from a mutual insurance company to a stock insurance company will be a reorganization within the meaning of Section 368(a)(1) of the Code;
- Nodak Mutual in its post-conversion stock form will constitute the same taxable entity as Nodak Mutual in its pre-conversion mutual insurance company form;
- Nodak Mutual in neither its pre-conversion mutual insurance company form nor in its post-conversion stock form will recognize gain or loss as a result of the conversion; and
- the tax attributes of Nodak Mutual in its pre-conversion mutual insurance company form will remain unchanged as tax attributes of Nodak Mutual in its post-conversion stock form. Thus, Nodak Mutual’s basis in its assets, holding period for its assets, net operating loss carryovers, if any, capital loss carryovers, if any, earnings and profits and accounting methods will not be changed by reason of the conversion.

### **Tax Consequences of Subscription Rights**

Generally, the federal income tax consequences of the receipt, exercise and redemption of subscription rights are uncertain. They present novel issues of tax law that are not adequately addressed by any direct authorities. Nevertheless, based upon the advice of Stevens & Lee, we believe, and we intend to take the position that, for U.S. federal income tax purposes:

- eligible members will be treated as transferring their membership rights in Nodak Mutual to NI Holdings, Inc. in exchange for subscription rights to purchase NI Holdings, Inc. common stock;
- any gain realized by an eligible member as a result of the receipt of a subscription right with a fair market value must be recognized;
- the amount of gain that must be recognized by an eligible member as a result of the receipt of a subscription right will equal the fair market value of such subscription right in excess of the tax basis, if any, of the eligible member in the membership rights exchanged for the subscription right;
- any gain recognized by an eligible member as a result of the receipt of a subscription right with a fair market value should constitute a capital gain, which will be long term capital gain if the eligible member has held its membership rights for more than one year; and
- the tax basis of any subscription right to an eligible member should be the fair market value of the subscription right to that member that was used to determine gain on receipt of the subscription right.

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Feldman Financial has advised us that it believes the subscription rights will have a fair market value of \$0.67 per share based on the methodology required by the North Dakota conversion statute for determining the redemption price for any subscription rights that are not exercised. Thus, the best evidence of the fair market value of a subscription right issued to an eligible member whose subscription rights are redeemed should be that value as determined by Feldman Financial. That fair market value should be used by the eligible member to determine the eligible member's gain on the exchange of the subscription rights for the eligible member's membership rights, and should become the tax basis of the subscription rights to the eligible member. Accordingly, no further gain or loss should be realized by such an eligible member on redemption of the subscription rights.

The fair market value of subscription rights received by an eligible member who elects to exercise the subscription rights to purchase shares of Company common stock is uncertain. Such an eligible member will pay the same amount for each share of common stock as all other persons purchasing common stock in the offering. Furthermore, such an eligible member will not receive any payment with respect to the subscription rights, and the restrictions on transferability of such subscription rights effectively preclude the possibility that the eligible member could transfer such subscription rights in exchange for anything of value. Based upon these factors, there does not appear to be any realizable economic value in the subscription rights that are exercised by an eligible member. Nevertheless, since the determination of value is a factual issue, not a legal issue, and there is no official guidance regarding the method for valuing the subscription rights for eligible members who exercise subscription rights under these facts and circumstances, no opinion can be provided concerning the value to be placed on the subscription rights for federal income tax purposes by an eligible member who elects to exercise the subscription rights. The Internal Revenue Service could assert that an eligible member who receives subscription rights that are exercised receives some economic benefit from receipt of the subscription rights that must be valued and included in taxable income.

Eligible members are encouraged to consult with their tax advisors about the U.S. federal, state, local and non-U.S. income and other tax consequences of the receipt, exercise and lapse of subscription rights to purchase shares of our common stock in the subscription offering. See also “— Recent Tax Developments” below.

### **Tax Consequences to Purchasers of Our Common Stock in the Offering**

*Basis and Holding Period.* The adjusted tax basis at any particular time of a share of our common stock purchased by an eligible member pursuant to the exercise of a subscription right will equal the sum of the amount of cash paid for such share plus the basis, if any, of the subscription right that is exercised to purchase such share, taking into account the income and gain, if any, recognized by such eligible member on the receipt of such subscription right, less any prior return of capital distributions in respect of such stock. In all other cases, a holder's adjusted tax basis at any particular time in its shares of our common stock generally will equal the U.S. holder's acquisition cost less any prior return of capital distributions in respect of such stock. The holding period of a share of our common stock purchased by an eligible member through the exercise of a subscription right will begin on the date on which the subscription right is exercised. In all other cases, the holding period of common stock purchased by an eligible member or other investor in the community offering will begin on the date following the date on which the stock is purchased.

*Dividends and Distributions.* If we pay cash distributions to holders of shares of our common stock, such distributions generally will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of current and accumulated earnings and profits will constitute a return of capital that will be applied against and reduce (but not below zero) the holder's adjusted tax basis in its shares of our common stock. Any remaining excess will be treated as gain realized on the sale or other disposition of its shares of our common stock and will be treated as described under “— Gain or Loss on Sale, Exchange or Other Taxable Disposition of Common Stock” below.

Dividends we pay to a U.S. holder that is a taxable corporation generally will qualify for the dividends received deduction if the requisite holding period is satisfied. With certain exceptions (including, but not limited to, dividends treated as investment income for purposes of investment interest deduction limitations), and provided certain holding period requirements are met, dividends we pay to a non-corporate U.S. holder

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generally will constitute “qualified dividends” that will be subject to tax at the maximum tax rate accorded to long-term capital gain plus, for such holders with a modified adjusted gross income in excess of specified amounts, the 3.8% tax on net investment income.

*Gain or Loss on Sale, Exchange or Other Taxable Disposition of Common Stock.* In general, a holder of shares of our common stock must treat any gain or loss recognized upon a sale, exchange or other taxable disposition of such shares (which would include a dissolution and liquidation) as capital gain or loss. Any such capital gain or loss will be long-term capital gain or loss if the holder’s holding period for its shares of our common stock so disposed of exceeds one year. In general, a holder will recognize gain or loss in an amount equal to the difference between (i) the sum of the amount of cash and the fair market value of any property received in such disposition and (ii) the holder’s adjusted tax basis in its shares of our common stock so disposed of. Long-term capital gain realized by a non-corporate holder generally will be subject to a maximum federal income tax rate of 20% plus, for such holders with a modified adjusted gross income in excess of specified amounts, the 3.8% tax on net investment income. The deduction of capital losses is subject to limitations, as is the deduction for losses realized upon a taxable disposition by a holder of its shares of our common stock if, within a period beginning 30 days before the date of such disposition and ending 30 days after such date, such holder has acquired (by purchase or by an exchange on which the entire amount of gain or loss was recognized by law), or has entered into a contract or option so to acquire, substantially identical stock or securities.

### **Recent Tax Developments**

We call to your attention that there is a conflict among the courts as to whether a policyholder has a tax basis in membership rights that gets transferred to shares of stock received by the policyholder in the course of a demutualization of an insurance company. In *Eugene A. Fisher v. U.S.* 102 AFTR2d 2008-5608 (Ct Fed Cl 2008), *aff’d* 105 AFTR2d 2010-357 (CA Fed Cir 2009), the court held that the policyholder did have a basis in membership rights attributable to premium payments made by the policyholder and that the basis in the membership rights was transferred to the shares of stock received by the policyholder in a demutualization of the insurance company. The opinion in the *Fisher* case is contrary to the long-standing published position of the Internal Revenue Service that the basis of stock received by a policyholder in the course of a mutual insurance company’s demutualization in a series of transactions that constitute a reorganization within the meaning of Section 368(a) of the Code is zero. The *Fisher* decision is also based upon facts that may be peculiar to that case. In another case, the lower court held, similar to *Fisher*, that shares received in a demutualization acquired a basis from a portion of the payment of policy premiums by the policyholder prior to demutualization. See, *Dorrance v. U.S.*, 110 AFTR2d 2012-5176 (DC AZ 2012). However, that decision was recently reversed on appeal. See, *Dorrance v. U.S.*, 116 AFTR2d 2015-6992 (C.A 9, Dec. 30, 2015). In addition, another case which had held that a portion of the taxpayer’s premium payments should be allocated to shares received in a demutualization was also recently reversed on appeal. See *Reuben v. U.S.*, 111 AFTR2d 2013-620 (C.D. Cal. 2013), *reversed*, 117 AFTR2d 2016-XXXX (CA 9, Jan. 1, 2016).

The legal precedents regarding whether a policyholder has a tax basis in membership rights are complex and conflicting, and may depend upon the facts applicable to the particular situation. Furthermore, the plan of conversion and the law considered by the courts in the above cases are potentially distinguishable from Nodak Mutual’s plan of conversion and the corresponding law of North Dakota. Nevertheless, if the principles articulated by the court in *Fisher* above were determined to be applicable to the subscription offering, an eligible member could have a tax basis in its membership rights from premium payments made by the eligible member, and that tax basis would (a) reduce any gain attributable to the fair market value of the subscription rights received by the eligible member that are redeemed, and (b) be added to the basis of the shares of our common stock purchased by an eligible member pursuant to the exercise of subscription rights.

**You should consult your tax advisors with respect to the potential tax consequences to you of the receipt, exercise and lapse of subscription rights and the determination of your adjusted tax basis in your subscription rights and shares of our common stock, based on your particular circumstances.**

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**Information Reporting and Backup Withholding.**

We must report annually to the Internal Revenue Service and to each holder the amount of dividends or other distributions we pay to such holder on its shares of our common stock and the amount of tax withheld with respect to those distributions, regardless of whether withholding is required.

The gross amount of dividends and proceeds from the disposition of shares of our common stock paid to a holder that fails to provide the appropriate certification in accordance with applicable U.S. Treasury regulations generally will be subject to backup withholding at the applicable rate (currently 28 percent).

Backup withholding is not an additional tax. Any amounts we withhold under the backup withholding rules may be refunded or credited against the holder's U.S. federal income tax liability, if any, by the Internal Revenue Service if the required information is furnished to the Internal Revenue Service in a timely manner.

**DUE TO THE INDIVIDUAL NATURE OF TAX CONSEQUENCES, EACH ELIGIBLE MEMBER AND EACH OTHER PROSPECTIVE PURCHASER OF SHARES OF OUR COMMON STOCK IN THE OFFERING IS URGED TO CONSULT HIS OR HER TAX AND FINANCIAL ADVISOR.**



## MANAGEMENT

### Directors

Our board of directors currently consists of Eric K. Aasmundstad, Michael J. Alexander, William R. Devlin, Duaine C. Espegard, Jeffrey R. Missling, and Stephen V. Marlow. The board of directors is divided into three classes with directors serving for three-year terms with approximately one-third of the directors being elected at each annual meeting of shareholders. Messrs. Alexander and Missling have terms of office expiring at the annual meeting to be held in 2017. Mr. Devlin and Mr. Espegard have terms of office expiring at the annual meeting to be held in 2018. Messrs. Aasmundstad and Marlow have terms of office expiring at the annual meeting to be held in 2019.

Our executive officers are elected annually and, subject to the terms of their respective employment agreements, hold office until their respective successors have been elected and qualified or until death, resignation or removal by the board of directors. Annually, the director nominees are reviewed and proposed by the nominating/governance committee and are selected by the board of directors.

The following table sets forth certain information regarding our current directors.

<u>Name</u>	<u>Age at April 1, 2016</u>	<u>Director Since<sup>(1)</sup></u>	<u>Position with Nodak Holdings, Inc.</u>
Eric K. Aasmundstad	57	1997	Director
Michael J. Alexander	50	2016	Director, President and CEO
William R. Devlin	68	2003	Director
Duaine C. Espegard	72	2003	Director
Stephen V. Marlow	60	2016	Director
Jeffrey R. Missling	45	2016	Director

(1) Indicates year first elected as a director of Nodak Mutual or NI Holdings.

The business experience of each nonemployee director for at least the past five years is set forth below.

*Eric K. Aasmundstad.* Mr. Aasmundstad currently serves as President of Nodak Mutual. Mr. Aasmundstad has served on the board of directors of Nodak Mutual since 1997 and as President since 2008. A graduate of North Dakota State University with a degree in engineering, Mr. Aasmundstad farms approximately 4,000 acres and operated a custom harvesting business until 2012. Mr. Aasmundstad also owns a metalworking business. Mr. Aasmundstad served as President of the North Dakota Farm Bureau from 1999 through 2011. During his tenure as President of the North Dakota Farm Bureau, Mr. Aasmundstad served on the board of directors of American Agricultural Insurance Company, Inc., which provides reinsurance to Farm Bureau insurance companies and other independent insurers. NI Holdings believes that Mr. Aasmundstad's 19 years of experience as a director of Nodak Mutual, his experience as a full time farmer, and his experience as a past director of American Agricultural Insurance Company, Inc. qualify him to serve as a director of NI Holdings.

*Michael J. Alexander.* Mr. Alexander joined Nodak Mutual as Senior Vice President of Underwriting in August 2003 until his promotion to Chief Operating Officer in November 2004. Mr. Alexander was appointed Executive Vice President and Chief Executive Officer in July 2005. Prior to joining Nodak Mutual, Mr. Alexander was director of underwriting/customer service at MSI Insurance Companies. Mr. Alexander has over 25 years of experience in the property and casualty industry. Mr. Alexander graduated from Earlham College with a Bachelor of Arts degree in mathematics and obtained his Master of Arts degree in actuarial science from Ball State University. NI Holdings believes that Mr. Alexander's 25 years of experience in the insurance industry and his 10 years of experience as the chief executive officer of Nodak Mutual qualify him to serve as a director of NI Holdings.

*William R. Devlin.* Mr. Devlin currently serves as Vice President of Nodak Mutual. Mr. Devlin has served on the board of directors of Nodak Mutual since 2003 and as Vice President since 2008. Mr. Devlin currently serves as a state legislator in the North Dakota House of Representatives, including a term as the Speaker. Mr. Devlin has been in public service for nearly 30 years, with 13 years as a county commissioner

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and 15 years as a North Dakota state legislator. Mr. Devlin has been the chief executive officer of family owned newspaper corporations in North Dakota and Minnesota for over thirty years. Most recently, he has been the chief executive officer of Devlin Newspapers Inc. of Staples, Minnesota for the past 24 years. NI Holdings believes that Mr. Devlin's experience as a state legislator and the chief executive officer of a local newspaper provides him with insight into NI Holdings' market and qualifies him to serve as a director of NI Holdings.

*Duaine C. Espegard.* Mr. Espegard has served on the board of directors of Nodak Mutual since 2003 and currently serves as the chair of the audit and budget committee. Mr. Espegard previously served as chair of the investment committee from 2003 to 2012. Mr. Espegard has acted as a consultant to financial institutions since his retirement in 2001. Prior to his retirement, Mr. Espegard served as the Chief Executive Officer of Bremer Bank for over 25 years and has over 35 years of experience in the banking industry. Mr. Espegard holds a business associates degree from Aakers Business College in Grand Forks, North Dakota and attended the Graduate School of Banking at the University of Wisconsin. NI Holdings believes that Mr. Espegard's experience in banking and management qualifies him to serve as a director of NI Holdings.

*Stephen V. Marlow.* Mr. Marlow was employed by Ernst and Young, LLP in various roles, including audit partner, from August 1978 to September 2011. From October 2011 to 2016, Mr. Marlow has been employed by Care Initiatives as Vice President and Chief Financial Officer. Mr. Marlow graduated from the University of Northern Iowa with a bachelor's degree in accounting and is a certified public accountant. NI Holdings believes that Mr. Marlow's experience as a certified public accountant at international accounting firm and as an audit partner serving both public and non-public insurance companies qualifies him to serve as a director of NI Holdings.

*Jeffrey R. Missling.* Mr. Missling has served as the Executive Vice President of the North Dakota Farm Bureau since 2005. Mr. Missling grew up on a diversified crop and livestock farm and has worked with farmers and ranchers his entire life, having been employed by agriculture related entities such as Rhone Poulenc Ag Company, Cargill, the University of Minnesota Extension Service, and the Minnesota Farm Bureau Federation. Mr. Missling holds a bachelor's degree in Agricultural Business Management from South Dakota State University and a master's degree in International Management from the University of Maryland. NI Holdings believes that Mr. Missling's experience in providing services to the agricultural industry and his management experience qualifies him to serve as a director of NI Holdings.

In order to determine which of our directors are independent, we have elected to utilize the standards for independence established under the NASDAQ listing standards. Under this standard, an independent director is a person other than an executive officer or employee of NI Holdings or one of its subsidiaries or any other individual having a relationship which, in the opinion of the board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The following persons will not be considered independent:

- a director who is, or at any time during the past three years was, employed by us;
- a director who accepted, or who has a spouse, parent, child or sibling, whether by blood, marriage or adoption, or any other person who resides in his home, hereinafter referred to as a "Family Member", who accepted any compensation from us in excess of \$120,000 during any period of twelve consecutive months within the three years preceding the determination of independence (other than compensation for board or board committee service; compensation paid to a Family Member who is an employee (other than an executive officer) of NI Holdings or one of its subsidiaries; or benefits under a tax-qualified retirement plan, or non-discretionary compensation);
- a director who is a Family Member of an individual who is, or at any time during the past three years was, employed by us as an executive officer;
- a director who is, or has a Family Member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which we made, or from which we received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the

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recipient's consolidated gross revenues for that year, or \$200,000, whichever is more (excluding payments arising solely from investments in our securities or payments under non-discretionary charitable contribution matching programs);

- a director of NI Holdings who is, or has a Family Member who is, employed as an executive officer of another entity where at any time during the past three (3) years any of our executive officers served on the compensation committee of such other entity; or
- a director who is, or has a Family Member who is, a current partner of our outside auditor, or was a partner or employee of NI Holdings' outside auditor who worked on our audit at any time during any of the past three (3) years.

Under these criteria, all directors except Michael J. Alexander are independent. North Dakota insurance law requires that one-third of the members of each committee of the board be independent, except for the audit, nominating, and compensation committees, which may only include independent directors.

### **Executive Officers**

NI Holdings believes that its executive officers and senior staff have played a critical role in the success of Nodak Mutual. A brief description of each of our executive officers other than Michael J. Alexander and their business experience for at least the past five years is set forth below.

*Brian R. Doom.* Mr. Doom, age 63, joined Nodak Mutual as Vice President of Finance and Chief Financial Officer in December 2005. Mr. Doom began his insurance career at Iowa Mutual Insurance Company in 1977; serving in various managerial and officer level positions. During the last seven years of his tenure at Iowa Mutual, Mr. Doom served as senior vice president, secretary/treasurer with responsibility for accounting, investments, information technology, reinsurance, and rate analysis. Mr. Doom was also a member of the board of directors. In January 2005, Mr. Doom joined Farmers Union Mutual Insurance Company in North Dakota where he served as controller and chief financial officer. Mr. Doom graduated from the University of Iowa with a bachelor's degree in business administration and from Boston University with a master of science degree in insurance management.

*Patrick W. Duncan.* Mr. Duncan, age 49, joined Nodak Mutual in December 2005 as Vice President of Shared Service, where he is responsible for both the underwriting and claims processes. Mr. Duncan began his insurance career with United Farm Family Mutual Insurance Company in 1989 where he held several management positions, including commercial underwriting, personal lines underwriting, property/casualty claims, farm, and crop insurance. In addition, he held the position of product manager farm/crop and commercial, overseeing \$110 million book of business. Mr. Duncan earned a bachelor of science degree in actuarial sciences from Indiana University.

### **Director Compensation**

The following table sets forth information regarding the total annual compensation paid by Nodak Mutual during the fiscal year ended December 31, 2015 to the nonemployee directors who will serve as directors of NI Holdings.

Name	Fees earned or paid in cash (\$)	Stock awards (\$)	Option awards (\$)	Non-equity incentive plan compensation (\$)	Change in pension value and nonqualified deferred compensation earnings	All other compensation (\$)	Total (\$)
Eric K. Aasmundstad	\$ 46,250	—	—	—	—	—	\$ 46,250
William R. Devlin	\$ 32,500	—	—	—	—	—	\$ 32,500
Duaine C. Espegard	\$ 31,500	—	—	—	—	—	\$ 31,500
Jeffrey R. Missling <sup>(1)</sup>	—	—	—	—	—	—	—
Steven V. Marlow <sup>(1)</sup>	—	—	—	—	—	—	—

(1) Mr. Missling and Mr. Marlow were not directors of Nodak Mutual during 2015.

For 2016, each of our non-employee directors will receive \$1,500 per day for attendance at board and committee meetings. We do not pay any additional compensation to our nonemployee directors for service on our board.

## Committees of the Board of Directors

Although we would qualify as a “controlled company” under the NASDAQ Stock Market listing rules because the Mutual Holding Company will own over 50% of our outstanding common stock, we do not intend to rely on the exemptions from certain of the corporate governance rules for NASDAQ listed companies. Set forth below is a brief description of our standing committees, the current members of such committees, and the duties and responsibilities of such committees.

*Compensation Committee.* Our compensation committee consists of Messrs. Devlin, Marlow, and Aasmundstad (Chairman). All of the directors are independent under the criteria established under the NASDAQ listing standards. All of the directors are “non-employee directors,” as required under the Exchange Act. The compensation committee will:

- review, evaluate and approve the compensation and benefit plans and policies of Company employees, including its officers;
- review, evaluate and approve the compensation and benefit plans and policies for our officers and directors;
- grant stock options and restricted stock awards to employees, management and directors under our proposed stock-based incentive plan;
- be responsible for producing an annual report on executive compensation for inclusion in our proxy statement, as may be required by applicable law, and for ensuring compliance of compensation and benefit programs with all other legal, tax and regulatory requirements; and
- make recommendations to our board of directors regarding these matters.

*Audit Committee.* The Audit Committee consists of Messrs. Marlow (Chairman), Espegard, and Aasmundstad. In addition, our board of directors has determined that Mr. Marlow is an audit committee financial expert within the meaning of SEC regulations. Under the independence criteria utilized by the NASDAQ listing rules, the Audit Committee members must meet additional criteria to be deemed independent. An Audit Committee member may not, other than in his or her capacity as a member of the Committee, the board of directors, or any other board of directors’ committee (i) accept directly or indirectly any consulting, advisory, or other compensatory fee from NI Holdings other than the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with NI Holdings (provided such compensation is not contingent in any way on continued service); or (ii) be an affiliated person of NI Holdings as defined in Exchange Act Rule 10A-3(e)(1). All of the directors of the Audit Committee are independent under these criteria.

The Audit Committee will:

- be responsible for the selection, retention, oversight and termination of our independent registered public accounting firm;
- approve the non-audit services provided by the independent registered public accounting firm;
- review the results and scope of the audit and other services provided by our independent registered public accounting firm;
- approve the estimated cost of the annual audit;
- establish procedures to facilitate the receipt, retention and treatment of complaints received from third parties regarding accounting, internal accounting controls, or auditing matters;
- establish procedures to facilitate the receipt, retention, and treatment of confidential, anonymous submissions of concerns regarding questionable accounting or auditing matters by Company employees;
- review and approve all related party transactions and transactions raising potential conflicts of interest;

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- review the annual financial statements and the results of the audit with management and the independent registered public accounting firm;
- review with management and the independent registered public accounting firm the adequacy of our system of internal control over financial reporting, including their effectiveness at achieving compliance with any applicable laws or regulations;
- review with management and the independent registered public accounting firm the significant recommendations made by the independent registered public accounting firm with respect to changes in accounting procedures and internal control over financial reporting; and
- report to the board of directors on the results of its review and make such recommendations as it may deem appropriate.

*Nominating/Governance Committee.* The Nominating/Governance Committee of the board of directors consists of Messrs. Espegard, Aasmundstad, Missling, and Devlin (Chairman). All of the directors are independent as defined under the NASDAQ listing standards. The Nominating/Governance Committee will:

- make independent recommendations to the board of directors as to best practices for board governance and evaluation of board performance;
- produce a Code of Ethics and submit it for board approval, and periodically review the Code of Ethics for necessary revisions;
- identify suitable candidates for board membership, and in such capacity will consider any nominees recommended by shareholders;
- propose to the board a slate of directors for election by the shareholders at each annual meeting; and
- propose candidates to fill vacancies on the board based on qualifications it determines to be appropriate.

### **Compensation Committee Interlocks and Insider Participation**

The members of the compensation committee of our board of directors are currently Messrs. Aasmundstad, Devlin, and Marlow.

The compensation committee does not include any current or former officers or current employees of NI Holdings. None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

### **Officers**

*Stock-Based Plans.* Our board of directors intends to approve a stock-based incentive plan, which, upon shareholder approval, will permit us to make stock or stock-based awards in the form of incentive stock options, nonqualified options, and restricted stock to directors and selected employees. We expect that the stock-based incentive plan will assist us in attracting, motivating, and retaining persons who will be in a position to substantially contribute to our financial success. The stock-based incentive plan will have a term of 10 years (unless our board of directors terminates the stock-based incentive plan earlier). The stock-based incentive plan will be administered by our compensation committee, who will determine the vesting period and other terms for the stock option and restricted stock awards under the plan.

[TABLE OF CONTENTS](#)**Summary Compensation Table**

The following table sets forth information regarding the total annual compensation of our named executive officers for each of the fiscal years ended December 31, 2015 and 2014.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Bonus (\$)</b>	<b>Stock Awards (\$)</b>	<b>Option Awards (\$)</b>	<b>Nonequity Incentive Plan Compensation (\$)</b>	<b>Nonqualified Deferred Compensation Earnings (\$)</b>	<b>All Other Compensation (\$)<sup>(1)</sup></b>	<b>Total (\$)</b>
Michael J. Alexander	2015	\$ 499,999	\$ 100,000	—	—	\$ 217,499	—	\$ 52,985	\$ 870,483
President and CEO	2014	483,333	—	—	—	297,479	—	58,285	839,970
Brian R. Doom	2015	\$ 229,167	—	—	—	\$ 65,000	—	\$ 55,273	\$ 349,440
Vice President Finance and CFO	2014	218,333	—	—	—	\$ 104,187	—	53,007	375,527
Patrick W. Duncan	2015	\$ 208,333	\$ —	—	—	\$ 39,666	—	\$ 46,815	\$ 294,814
Vice President of Shared Service	2014	198,333	—	—	—	94,125	—	47,216	339,674

(1) Includes matching contributions to Nodak Mutual's 401(k) plan of \$42,400 for Mr. Alexander and Mr. Doom, and \$39,680 for Mr. Duncan.

**Benefit Plans and Employment Agreements**

*General.* In connection with the conversion, NI Holdings and Nodak Mutual have entered into employment agreements with Michael J. Alexander, Brian R. Doom, and Patrick W. Duncan. Our board of directors also intends to adopt a stock-based incentive plan that must be approved by our shareholders at a meeting held no earlier than six months after completion of the conversion. In addition, we have an existing a 401(k) and a profit sharing plan in which our executive officers are eligible to participate, and certain executives, including the executive officers, are eligible to participate in a nonqualified deferred compensation plan

*Stock-Based Incentive Plan.* The board of directors intends to approve a stock-based incentive plan (the "Equity Incentive Plan"). The Equity Incentive Plan is subject to approval by our shareholders, which can occur no earlier than six months after completion of the conversion. The purpose of the Equity Incentive Plan is to assist us in attracting, motivating, and retaining persons who will be in a position to substantially contribute to our financial success. The Equity Incentive Plan will assist us in this effort by providing a compensation vehicle directly tied to the performance of our common stock. The Equity Incentive Plan will have a term of 10 years from the date of approval by our board of directors (unless our board of directors terminates the plan earlier).

The Equity Incentive Plan will permit us to make stock or stock-based awards in the form of incentive stock options, nonqualified stock options, and restricted common stock to employees and nonemployee directors. Our non-employee directors will not be eligible to receive awards of incentive stock options under the plan because under the Internal Revenue Code incentive stock options may only be granted to employees. The Equity Incentive Plan will be administered by the compensation committee.

The board of directors has not yet determined the aggregate number of restricted shares that can be awarded under the Equity Incentive Plan or the number of shares issuable up on the exercise of options granted under the plan. We expect that the plan will provide that if any award of restricted shares or stock options expires, terminates or is cancelled or forfeited without being exercised in full, the shares of stock associated with the expired, terminated, cancelled or forfeited portion of the award will become available to be awarded again under the plan.

The Equity Incentive Plan will be described in the proxy statement distributed to the Company's shareholders in connection with the annual or special meeting of shareholders at which the plan is submitted to a vote of the shareholders for their approval.

*Deferred Compensation Plan.* The Nodak Mutual Insurance Company Nonqualified Deferred Compensation Plan assists executives designated by the compensation committee as participants in maximizing their ability to save additional amounts for their retirement on a tax-deferred basis. In addition to

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allowing participants to make elective deferrals, the plan permits Nodak Mutual to make company contributions to eligible employees. If an employee participant exceeds the Internal Revenue Code compensation or contribution limits under the qualified retirement plans, any Company contributions limited under the qualified retirement plans will be restored under the Deferred Compensation Plan. The plan is intended to constitute an unfunded plan primarily for providing deferred compensation a select group of management or highly compensated employees. Unless otherwise specified, participants vest in company contributions under a five year graded vesting schedule and are eligible to receive distributions pursuant to the participant's election under the plan. The assets of the plan are subject to the claims of our creditors in the event of insolvency until paid to the plan participants and their beneficiaries.

*Executive Employment Agreements.* Mr. Alexander, Mr. Doom, and Mr. Duncan are each parties to employment agreements with NI Holdings and Nodak Mutual. Mr. Alexander's agreement has a term of three years while the agreements of Mr. Doom and Mr. Duncan have two-year terms. Each of the agreements is automatically extended on each day for one additional day unless either party has given the other party written notice that such party does not agree to extend the agreement.

The compensation committee enters into employment agreements with executive officers when it determines that such an agreement is desirable to obtain some measure of assurance as to the executive's continued employment in light of prevailing market competition for the position held by the executive officer, or where the compensation committee determines that an employment agreement is necessary and appropriate in light of the executive's prior experience or with our practices with respect to similarly situated employees.

*Base Salary.* We reflect the base salaries that we paid to Messrs. Alexander, Doom, and Mr. Duncan for 2015 in the Summary Compensation Table. For 2016, Messrs. Alexander, Doom, and Mr. Duncan will each receive an annual base salary of \$525,000, \$255,000, and \$230,000, respectively. The base salary of each of the named executive officers is reviewed annually by the Board of Directors for possible adjustment as deemed appropriate by the Board.

*Cash Incentive Bonus Plan.* Our executive officers and other employees are entitled to participate in the annual cash bonus pool that we maintain and offer to our employees under our cash incentive bonus plan, and they may receive an additional bonus or bonuses as the board of directors deems appropriate. We calculate the cash bonus pool using metrics recommended by our executive officers and established by the management committee of our Board of Directors based on the performance of Nodak Insurance Company on a consolidated basis. Nodak Insurance Company must achieve a net underwriting profit for the calendar year and a return on equity of at least 5.0% for the calendar year or no bonuses under the plan are awarded. Based on mitigating factors, the management committee retains discretion to award bonuses under the plan even the goals are not achieved.

The management committee establishes goals for policy priorities identified by the Board of Directors: financial strength (measured by return on equity, statutory surplus, and ratio of premium to statutory surplus); customer service (measured by vehicles insured and policyholder retention); growth (measured by policies in force, new policies issued, vehicles insured, and applications for life insurance and policies on behalf of Farm Bureau Life Insurance); loss ratio; and expense ratio. The table below sets forth the goals established for each of the policy priorities and Nodak Mutual's actual results for 2015.

<b>Policy Priority</b>	<b>Goal</b>	<b>Actual 2015 Performance</b>
Return on Equity	9.90%	16.39%
Statutory Surplus	\$136,080	\$ 141,331
Ratio of Premium to Surplus	1.10	0.93
Policyholder retention	96.0%	95.2%
Vehicles and policies in-force	112,462	111,406
New policies issued	6,600	6,836
Life insurance applications	575	522
Life insurance premiums	\$915,000	\$ 924,821
Loss ratio	67.5%	52.4%
Expense ratio	26.9%	31.6%

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Under the plan the Chief Executive Officer can receive a bonus equal to 15% of his salary for each goal achieved and the Chief Financial Officer and the Vice President of Operations can each receive a bonus equal to 10% of his salary for each goal achieved. We reflect the amounts that we paid Messrs. Alexander, Doom, and Mr. Duncan under the cash bonus pool for 2015 in the Summary Compensation Table.

*Equity Compensation.* Our executive officers and selected other employees will be eligible to receive stock options and restricted stock under the Equity Compensation Plan if and when it is adopted by our board of directors and approved by our shareholders. For more information about the Equity Compensation Plan, see the discussion above under the caption entitled “Stock-Based Incentive Plan.”

*Employee Stock Ownership Plan.* In conjunction with the offering, Nodak Mutual will establish the NI Holdings, Inc. Employee Stock Ownership Plan (the “ESOP”). The ESOP is intended to be an employee stock ownership plan within the meaning of Code Section 4975(e)(7) and will invest primarily in common stock of the Company.

Nodak Mutual will loan \$2.4 million of the offering proceeds to the ESOP’s related trust (the “ESOP Trust”). The ESOP loan will be for a period of ten years and will bear interest at the long-term Applicable Federal Rate effective on the closing date of the offering. The ESOP Trust will use the proceeds of the loan to purchase shares in the offering, which will result in the ESOP Trust owning approximately 3.1% of the Company’s outstanding shares upon completion of the offering if the minimum number of shares are sold in the offering.

The shares purchased by the ESOP Trust in the offering will be held in a suspense account as collateral for the ESOP loan. The shares held in the ESOP’s suspense account are not considered outstanding for earnings per share purposes. The Company will make an annual cash contribution to the ESOP in an amount no smaller than an amount required for the ESOP Trust to make its loan payment to Nodak Mutual. When the ESOP makes a loan payment, a portion of the shares will be released from the suspense account and allocated to participant accounts. This release and allocation will occur on an annual basis over the ten-year term of the ESOP loan, although the ESOP Trust has the ability to prepay the ESOP loan, which will accelerate the release and allocation of shares.

When the ESOP Trust uses the proceeds of the ESOP loan to purchase shares in the Offering, the Company will, in accordance with ASC 718-40, create a contra-equity account on the Company’s balance sheet equal to the ESOP’s basis in the shares. As shares are released from the suspense account, the contra-equity account will be credited, which shall reduce the impact of the contra-equity account on the Company’s balance sheet. The Company shall, in accordance with ASC 718-40, record a compensation expense related to the shares committed to be released from the suspense account, which compensation expense is equal to the number of shares released from the suspense account multiplied by the average market value of the Company’s stock during the year.

The initial ESOP participants will be employees of Nodak Insurance Company. The employees of Tri-State, Ltd. will not participate in the ESOP.

*Benefits and Perquisites.* Messrs. Alexander, Doom, and Duncan are each entitled to participate in insurance, vacation, and other fringe benefit programs that Nodak Mutual maintains for its other employees. Nodak Mutual provides a 401(k) profit sharing plan, group medical insurance, group dental insurance, and group term life insurance to its eligible employees. Nodak Mutual pays the country club membership dues of Mr. Alexander, Mr. Doom and Mr. Duncan.

*Benefits Provided in Connection with Termination.* Under the employment agreements with Mr. Alexander, Mr. Doom, and Mr. Duncan, if the officer is terminated without Cause or terminates his employment for Good Reason (as such terms are defined in the employment agreement), the officer will be entitled to receive a lump sum payment equal to the sum of his annual base salary plus the average annual bonus for the last three years, multiplied by the number of months in the remaining term of his employment agreement divided by twelve. In addition, the officer will be entitled to continued benefit plan coverage for the remaining term of his employment agreement to the extent permitted by the plan or applicable law.



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Prior to receiving any severance benefits, our executive officers have agreed to execute release agreements.

### **Transactions with related persons, promoters and certain control persons**

Nodak Holdings and its subsidiaries intend to enter into a federal income tax allocation agreement, pursuant to which NI Holdings will determine the amount of federal income tax liability attributable to each company in accordance with the regulations promulgated by the Internal Revenue Service. Each company will be required to pay to NI Holdings the amount of federal income tax liability that is attributable to such company, and NI Holdings will be responsible for paying to the Internal Revenue Service the federal income tax liability of the consolidated group. Similarly, if any subsidiary generates losses for federal or state income tax purposes, NI Holdings will pay to that subsidiary an amount equal to the federal income tax savings attributable to that subsidiary.

Except for the transactions described above, we have not engaged in any transactions with, loaned money to or incurred any indebtedness to, or otherwise proposed to engage in transactions with, loan money to or incur any indebtedness to, any related person, promoter or control person in an amount that in the aggregate exceeds \$120,000.

We maintain a written policy which discourages our officers, directors, and employees from having a financial interest in any transaction between NI Holdings or any of its subsidiaries and a third party. When we engage in transactions involving our officers, directors or employees, their immediate family members, or affiliates of these parties, our officers, directors and employees are required to give notice to us of their interest in such a transaction and refrain from participating in material negotiations or decisions with respect to that transaction. Directors with an interest in such a transaction are expected to disqualify themselves from any vote by the board of directors regarding the transaction.

When considering whether we should engage in a transaction in which our officers, directors or employees, their immediate family members, or affiliates of these parties, may have a financial interest, our board of directors considers the following factors:

- whether the transaction is fair and reasonable to us;
- the business reasons for the transaction;
- whether the transaction would impair the independence of a director;
- whether the transaction presents a conflict of interest, taking into account the size of the transaction, the financial position of the director, officer or employee, the nature of their interest in the transaction and the ongoing nature of the transaction; and
- whether the transaction is material, taking into account the significance of the transaction in light of all the circumstances.

## RESTRICTIONS ON ACQUISITION OF NI HOLDINGS

The articles of incorporation and bylaws we intend to adopt prior to the offering contain provisions that are intended to encourage potential acquirers to negotiate directly with our board of directors, but which also may deter a non-negotiated tender or exchange offer for our stock or a proxy contest for control of NI Holdings, Inc. Certain provisions of North Dakota law also may discourage non-negotiated takeover attempts or proxy contests. In addition, the terms of the employment agreements with our executive officers (see “Management — Benefit Plans and Employment Agreements”) may be viewed as having the effect of discouraging these efforts.

All of these provisions may serve to entrench existing management. These provisions also may deter institutional interest in and ownership of our stock and, accordingly, may depress the market price for, and liquidity of, the common stock.

Following is a description of these provisions and the purpose and possible effects of these provisions. We do not presently intend to propose additional anti-takeover provisions for our articles of incorporation or bylaws. Because of the possible adverse effect these provisions may have on shareholders, this discussion should be read carefully.

### **Antitakeover Provisions of Our Articles of Incorporation and Bylaws and under North Dakota Law**

1. *Prohibition of Ownership and Voting of Shares in Excess of 10%.* Our articles of incorporation impose limitations upon the ability of certain shareholders and groups of shareholders to acquire or vote shares of our stock. The articles of incorporation prohibit any person other than Nodak Mutual Group, Inc. (whether an individual, company or a group acting in concert, as defined) from acquiring voting control, as defined. Voting control is generally defined as the beneficial ownership at any time of shares with more than 10% of the total voting power of the outstanding stock of NI Holdings. These provisions would not apply to the purchase of shares by underwriters in connection with a public offering. A group acting in concert includes persons seeking to combine or pool their voting power or other interests in common stock for a common purpose. Such a group does not include actions by the board of directors acting solely in their capacity as the Board. This provision will not apply to any person or entity if two-thirds of the members of the board of directors approve in writing the acquisition by such person or entity of beneficial ownership of shares with more than 10% of the total voting power of the outstanding stock of NI Holdings.

Under this provision, shares of common stock, if any, owned in excess of 10% will not be entitled to vote on any matter or take other shareholder action. For purposes of determining the voting rights of other shareholders, these excess shares are essentially treated as no longer outstanding. As a result, where excess shares are present, other shareholders will realize a proportionate increase in their voting power, but this 10% voting restriction will not be applicable to other shareholders if their voting power increases above 10% as a result of application of this provision to another shareholder.

The potential effect of this voting rights limitation is significant. Any person or group acting in concert owning more than 10% of the outstanding common stock will generally be unable to exercise voting rights proportionate to their equity interest. When operating in conjunction with other provisions in our articles of incorporation described below, the practical effect of the limitation on voting rights may be to render it virtually impossible for any one shareholder or group acting in concert to determine the outcome of any shareholder vote.

The 10% voting rights limitation may make it extremely difficult for any one person or group of affiliated persons to acquire voting control of NI Holdings, with the result that it may be extremely difficult to bring about a change in the board of directors or management. This provision may have the effect of discouraging holders of large amounts of shares from purchasing additional shares, or would be holders who may desire to acquire enough shares to exercise control from purchasing any shares. As a result, this provision may have an adverse effect on the liquidity and market price of the shares.

2. *Classified Board of Directors.* Our articles of incorporation provide for a classified board of directors of between 3 and 15 members, which number is fixed by the board of directors, divided into three classes serving for successive terms of three years each. This provision is designed to assure experience, continuity,

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and stability in the board's leadership and policies. We believe that this can best be accomplished by electing each director to a three-year term and electing only approximately one-third of the directors each year.

The election of directors for staggered terms significantly extends the time required to make any change in control of the board of directors and may tend to discourage any surprise or non-negotiated takeover bid for control of NI Holdings. Under the articles of incorporation, it will take at least two annual meetings for holders of a majority of NI Holdings' voting securities to make a change in control of the board of directors because only a minority (approximately one-third) of the directors will be elected at each meeting. In addition, because certain actions require more than majority approval of the board of directors, as described herein, it may take as many as three annual meetings for a controlling block of shareholders to obtain complete control of the board and NI Holdings' management.

This provision may tend to perpetuate present management because of the additional time required to change control of the board. Because the provision will increase the amount of time required for a takeover bidder to obtain control without the cooperation of the board even if the takeover bidder were to acquire a majority of the outstanding stock, it may tend to discourage certain tender offers, perhaps including some tender offers that the shareholders may believe would be in their best interests. The classified board provision will apply to all elections of directors and, accordingly, it will make it more difficult for shareholders to change the composition of the board if the shareholders believe such a change would be desirable, even in the absence of any third party's acquisition of voting control. This is especially true in light of the denial of cumulative voting described below.

3. *No Cumulative Voting.* Cumulative voting entitles a shareholder to multiply the number of votes to which the shareholder is entitled by the number of directors to be elected, with the shareholder being able to cast all votes for a single nominee or distribute them among the nominees as the shareholder sees fit. The North Dakota Business Corporation Act provides that shareholders are entitled to cumulate their votes for the election of directors, unless a corporation's articles of incorporation provide otherwise.

Cumulative voting is specifically prohibited in the articles of incorporation because we believe that each director should represent and act in the interest of all shareholders and not any special shareholder or group of shareholders. In light of current acquisition techniques and activity, minority representation could be disruptive and could impair the efficient management of NI Holdings for the benefit of shareholders generally. In addition, the absence of cumulative voting also will tend to deter greenmail, in which a substantial minority shareholder uses his holdings as leverage to demand that a corporation purchase his shares at a significant premium over the market value of the stock to prevent the shareholder from obtaining or attempting to obtain a seat on the board of directors. In the absence of cumulative voting, a majority of the votes cast in any election of directors can elect all of the directors of the class in any given year.

The absence of cumulative voting, coupled with a classified board of directors, will also deter a proxy contest designed to win representation on the board of directors or remove management because a group or entity owning less than a majority of the voting stock may be unable to elect a single director. Although this will make removal of incumbent management more difficult, we believe deterring proxy contests will avoid the significant cost, in terms of money and management's time, in opposing such actions.

4. *Nominations for Directors and Shareholder Proposals.* Our bylaws require that nominations for the election of directors made by shareholders (as opposed to those made by the board of directors) and any shareholder proposals for the agenda at any annual meeting generally must be made by notice (in writing) delivered or mailed to the Secretary not less than 90 days prior to the meeting of shareholders at which directors are to be elected.

We believe that this procedure will assure that the board of directors and shareholders will have an adequate opportunity to consider the qualifications of all nominees for directors and all proposals, and will permit the shareholders' meetings to be conducted in an orderly manner. It may have the effect, however, of deterring nominations and proposals other than those made by the board of directors.

5. *Mergers, Sale of Assets, Liquidation Approval.* Our articles of incorporation provide that any merger, consolidation, sale of assets or similar transaction involving NI Holdings requires the affirmative vote of shareholders entitled to cast at least 80% of the votes which all shareholders are entitled to cast, unless the

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transaction is approved in advance by two-thirds of the members of the board of directors. If the transaction is approved in advance by two-thirds of the members of the Board, approval by the affirmative vote of a majority of the votes cast by holders of outstanding voting stock at a meeting at which a quorum was present would be required.

The articles of incorporation also provide that liquidation or dissolution of NI Holdings requires the affirmative vote of shareholders entitled to cast at least 80% of the votes that all shareholders are entitled to cast, unless such transaction is approved by two-thirds of the members of the board of directors.

We believe that in a merger or other business combination, the effects on our employees and our customers and the communities we serve might not be considered by a tender offeror when merging NI Holdings into an entity controlled by an offeror as the second part of a two-step acquisition. By requiring approval of a merger or similar transaction by the affirmative vote of shareholders holding 80% or more of the combined voting power of outstanding stock of NI Holdings, it will be extremely difficult for a group or person owning a substantial block of Company stock, after a successful tender or exchange offer, to accomplish a merger or similar transaction without negotiating an agreement acceptable to the board of directors. Accordingly, the board of directors will be able to protect the interests of the remaining shareholders as well as our employees and the customers and communities that we serve. If Board approval is not obtained, the proposed transaction must be on terms sufficiently attractive to obtain approval by a vote of shareholders holding 80% or more of the combined voting power of outstanding Nodak Holdings, Inc. capital stock.

The 80% approval requirement could result in the Board and management being able to exercise a stronger influence over any proposed takeover by refusing to approve the proposed business combination and obtaining sufficient votes, including votes controlled directly or indirectly by management, to preclude the 80% approval requirement.

Because this provision will tend to discourage nonnegotiated takeover bids and will encourage other takeover bidders to negotiate with the Board, it also will tend to assist the Board and, therefore, management in retaining their present positions. In addition, if the Board does not grant its prior approval, a takeover bidder may still proceed with a tender offer or other purchases of Company stock although any resulting acquisition of NI Holdings may be more difficult and more expensive. Because of the increased expense and the tendency of this provision to discourage competitive bidders, the price offered to shareholders may be lower than if this provision were not present in the articles of incorporation.

*6. Mandatory Tender Offer by 35% Shareholder.* Our articles of incorporation require any person or entity other than Nodak Mutual Group, Inc. that acquires stock of NI Holdings with a combined voting power of 35% or more of the total voting power of outstanding capital stock, to offer to purchase, for cash, all outstanding shares of NI Holdings' voting stock at a price equal to the highest price paid within the preceding twelve months by such person or entity for shares of the respective class or series of NI Holdings, Inc. stock. In the event this person or entity did not purchase any shares of a particular class or series of stock within the preceding twelve months, the price per share for such class or series of NI Holdings, Inc. stock would be the fair market value of such class or series of stock as of the date on which such person acquires 35% or more of the combined voting power of outstanding Nodak Holdings, Inc. stock. This provision will not apply to any person or entity if two-thirds of the members of the board of directors approve such acquisition prior to such acquisition occurring.

Our board of directors believes that any person or entity who acquires control of NI Holdings in a nonnegotiated manner should be required to offer to purchase all shares of voting stock remaining outstanding after the assumption of control, at a price not less than the amount paid to acquire the control position.

A number of companies have been the subject of tender offers for, or other acquisitions of, 20% or more of their outstanding shares of common stock. In many cases, such purchases have been followed by mergers in which the tender offeror or other purchaser has paid a lower price for the remaining outstanding shares than the price it paid in acquiring its original interest in NI Holdings and has paid in a potentially less desirable form in the merger (often securities of the purchaser that do not have an established trading market at the time of issuance). The statutory right of the remaining shareholders of a company to dissent in connection with certain mergers and receive the fair value of their shares in cash may involve significant expense and

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uncertainty to dissenting shareholders and may not be meaningful because the appraisal standard to be applied under North Dakota law does not take into account any appreciation in the stock price due to the merger. This provision in the articles of incorporation is intended to prevent these potential inequities.

In many situations, the provision would require that a purchaser pay shareholders a higher price for their shares or structure the transaction differently than might be the case without the provision. Accordingly, we believe that, to the extent a merger were involved as part of a plan to acquire control of NI Holdings, adoption of the provision would increase the likelihood that a purchaser would negotiate directly with our board of directors. We further believe that our Board is in a better position than our individual shareholders to negotiate effectively on behalf of all shareholders and that the Board is likely to be more knowledgeable than any individual shareholder in assessing the business and prospects of NI Holdings. Accordingly, we are of the view that negotiations between the board of directors and a would-be purchaser will increase the likelihood that shareholders, as a whole, will receive a higher average price for their shares.

The provision will tend to discourage any purchaser whose objective is to seek control of NI Holdings at a relatively low price by offering a lesser value for shares in a subsequent merger than it paid for shares acquired in a tender or exchange offer. The provision also should discourage the accumulation of large blocks of shares of Nodak Holdings, Inc. voting stock, which the board of directors believes to be disruptive to the stability of our vitally important relationships with our employees and customers and the communities that we serve, and which could precipitate a change of control of NI Holdings on terms unfavorable to the other shareholders.

Tender offers or other private acquisitions of stock are usually made at prices above the prevailing market price of a company's stock. In addition, acquisitions of stock by persons attempting to acquire control through market purchases may cause the market price of the stock to reach levels that are higher than otherwise would be the case. This provision may discourage any purchases of less than all of the outstanding shares of voting stock of NI Holdings and may thereby deprive shareholders of an opportunity to sell their stock at a higher market price. Because of having to pay a higher price to other shareholders in a merger, it may become more costly for a purchaser to acquire control of NI Holdings. Open market acquisitions of stock may be discouraged by the requirement that any premium price paid in connection with such acquisitions could increase the price that must be paid in a subsequent merger. The provision may therefore decrease the likelihood that a tender offer will be made for less than all of the outstanding voting stock of NI Holdings and, as a result, may adversely affect those shareholders who would desire to participate in such a tender offer.

*7. Prohibition of Shareholders' Action without a Meeting and of Shareholders' Right to Call a Special Meeting.* Our articles of incorporation prohibit shareholder action without a meeting (i.e., the written consent procedure is prohibited) except during any period when Nodak Mutual Group owns a majority of the outstanding shares of our common stock and prohibit shareholders from calling a special meeting. Therefore, in order for shareholders other than the Nodak Mutual Group to take any action, it will require prior notice, a shareholders' meeting and a vote of shareholders. Special meetings of shareholders can only be called by the Chief Executive Officer, the Executive Committee of the Board of Directors, or two-thirds of the board of directors. Therefore, without the cooperation of the Chief Executive Officer or the board of directors, any shareholder will have to wait until the annual meeting of shareholders to have a proposal submitted to the shareholders for a vote.

These provisions are intended to provide the board of directors and non-consenting shareholders with the opportunity to review any proposed action, express their views at the meeting and take any necessary action to protect the interests of our shareholders and NI Holdings before the action is taken, and to avoid the costs of holding multiple shareholder meetings each year to consider proposals of shareholders. These provisions also will preclude a takeover bidder who acquires a majority of outstanding Company stock from completing a merger or other business combination of NI Holdings without granting the board of directors and the remaining shareholders an opportunity to make their views known and vote at an annual shareholders' meeting. The delay caused by the necessity for an annual shareholders' meeting may allow us to take preventive actions, even if you believe such actions are not in the best interests of the shareholders.

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8. *Amendment of Articles of Incorporation.* The North Dakota Business Corporation Act provides that the articles of incorporation of a North Dakota business corporation (such as NI Holdings) may be amended by the affirmative vote of a majority of the votes cast by all shareholders entitled to vote, except as otherwise provided by the corporation's articles of incorporation. Our articles of incorporation provide that the following provisions of the articles can only be amended by an affirmative vote of shareholders entitled to cast at least 80% of all votes that shareholders are entitled to cast, or by an affirmative vote of 80% of the members of the board of directors and of shareholders entitled to cast at least a majority of all votes that shareholders are entitled to cast:

- (i) those establishing a classified board of directors;
- (ii) the prohibition on cumulative voting for directors;
- (iii) the prohibition on shareholders calling special meetings;
- (iv) the provision regarding the votes required to amend the articles of incorporation;
- (v) the provision that no shareholder shall have preemptive rights;
- (vi) the provisions that require 80% shareholder approval of certain actions;
- (vii) the prohibition on acquiring or voting more than 10% of the voting stock;
- (viii) the provision regarding the votes required to amend the bylaws; and
- (ix) the requirement of a 35% shareholder to purchase all remaining shareholders' stock.

On other matters, the articles of incorporation can be amended by an affirmative vote of a majority of the votes cast by all shareholders entitled to vote thereon at a meeting at which a quorum is present.

9. *Amendment of Bylaws.* Generally, our articles of incorporation vest authority to make and amend the bylaws in the board of directors, acting by a vote of a majority of the entire board. In addition, except as described below, shareholders may amend the bylaws by an affirmative vote of the holders of 66 2/3% of the outstanding voting stock. However, the provision of the bylaws concerning directors' liability and indemnification of directors, officers and others may not be amended to increase the exposure of directors to liability or decrease the degree of indemnification except by a two-thirds vote of the entire board of directors or 80% of all votes of shareholders entitled to be cast.

This provision is intended to provide additional continuity and stability in our policies and governance so as to enable us to carry out our long range plans. The provision also is intended to discourage non-negotiated efforts to acquire NI Holdings, since a greater percentage of outstanding voting stock will be needed before effective control over its affairs could be exercised. The board of directors will have relatively greater control over the bylaws than the shareholders because, except with respect to the director liability and indemnification provisions, the board could adopt, alter, amend or repeal the bylaws upon a majority vote by the directors.

### **North Dakota Fiduciary Duty Provisions**

The North Dakota Business Corporation Act provides that the directors may consider, in determining whether a certain action is in the best interests of the corporation:

- (1) the effects of any action upon any or all groups affected by such action, including shareholders, employees, suppliers, customers and creditors of the corporation, and upon communities in which offices or other establishments of the corporation are located;
- (2) the short-term and long-term interests of the corporation, including benefits that may accrue to the corporation and its shareholders from its long-term plans and the possibility that these interests may be best served by the continued independence of the corporation; and
- (3) all other pertinent factors.

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One of the effects of this provision may be to make it more difficult for a shareholder to successfully challenge the actions of our board of directors in a potential change in control context.

**Other Provisions of North Dakota Law**

The North Dakota Business Corporation Act also contains provisions that have the effect of impeding a change in control. As permitted by the North Dakota Business Corporation Act, we have elected to provide in our articles of incorporation that these provisions will not apply to us.

## DESCRIPTION OF OUR CAPITAL STOCK

### General

Our articles of incorporation authorize the issuance of 25,000,000 shares of common stock, \$0.01 par value, and 5,000,000 shares of preferred stock, no par value. In the offering, we expect to issue between 7,650,000 and 10,350,000 shares of common stock. No shares of preferred stock will be issued in connection with the offering.

### Common Stock

*Voting Rights.* The holders of common stock will possess exclusive voting rights in Nodak Holdings, Inc. except if and to the extent shares of preferred stock issued in the future have voting rights. Each holder of shares of common stock will be entitled to one vote for each share held of record on all matters submitted to a vote of holders of shares of common stock. See “Restrictions on Acquisition of NI Holdings — Antitakeover Provisions of Our Articles of Incorporation and Bylaws.” Shareholders are not entitled to cumulate their votes for election of directors.

*Dividends.* Under the North Dakota Business Corporation Act, we may only pay dividends if solvent and if payment of such dividend would not render us insolvent. Funds for the payment of dividends initially must come from either proceeds of this offering retained by us or dividends paid to us by Nodak Insurance Company and our other subsidiaries. Therefore, the restrictions on Nodak Insurance Company’s ability to pay dividends affect our ability to pay dividends. See “Dividend Policy” and “Business — Regulation.”

*Transfer.* Shares of common stock are freely transferable except for shares that are held by affiliates. Shares issued to our directors and officers in the offering will be restricted as to transfer for a period of one year from the effective date of the offering. Shares held by affiliates must be transferred in accordance with the requirements of Rule 144 of the Securities Act of 1933.

*Liquidation.* In the event of any liquidation, dissolution or winding up of Nodak Insurance Company, NI Holdings, as holder of all of the capital stock of Nodak Insurance Company, would be entitled to receive all assets of Nodak Insurance Company after payment of all debts and liabilities. In the event of liquidation, dissolution or winding up of NI Holdings, each holder of shares of common stock would be entitled to receive a portion of NI Holdings’ assets, after payment of all of NI Holdings’ debts and liabilities. If any preferred stock is issued, the holders thereof are likely to have a priority in liquidation or dissolution over the holders of the common stock.

*Other Characteristics.* Holders of the common stock will not have preemptive rights with respect to any additional shares of common stock that may be issued. The common stock is not subject to call for redemption, and the outstanding shares of common stock, when issued and upon our receipt of their full purchase price, will be fully paid and nonassessable.

### Preferred Stock

None of the 5,000,000 shares of preferred stock that our board has authorized will be issued in the offering. When our articles of incorporation are filed, the board of directors will be authorized, without shareholder approval, to issue preferred stock or rights to acquire preferred stock, and to fix and state the par value, voting powers, number, designations, preferences or other special rights of such shares or rights, and the qualifications, limitations and restrictions applicable to any such series of preferred stock. The preferred stock may rank prior to the common stock as to dividend rights or liquidation preferences, or both, and may have full or limited voting rights. The board of directors has no present intention to issue any of the preferred stock.



### **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the common stock is Computershare Trust Company, N.A.

### **LEGAL MATTERS**

The legality of our common stock will be passed upon for us by Dorsey & Whitney, LLP, Fargo, North Dakota.

### **EXPERTS**

The consolidated financial statements of Nodak Mutual Insurance Company as of December 31, 2015 and 2014, and for each of the years in the two year period ended December 31, 2015, have been included herein, in reliance upon the report of WeiserMazars LLP, an independent registered public accounting firm, appearing elsewhere herein and upon the authority of said firm as experts in accounting and auditing.

Feldman Financial has consented to the publication in this document of the summary of its report to Nodak Mutual Insurance Company setting forth its opinion as to the estimated pro forma market value of the common stock of NI Holdings, Inc. to be outstanding upon completion of the offering and its opinion with respect to the value of the subscription rights.

### **ADDITIONAL INFORMATION**

We have filed with the SEC a Registration Statement on Form S-1 under the Securities Act of 1933 with respect to the shares of our common stock offered in this document. As permitted by the rules and regulations of the SEC, this prospectus does not contain all of the information set forth in the Registration Statement. Such information can be examined without charge at the Public Reference Room of the SEC located at 100 F Street, N.E., Washington, D.C. 20549, and copies of such material can be obtained from the SEC at prescribed rates. The public may obtain more information on the operations of the Public Reference Room by calling the SEC at 1-800-732-0330. The registration statement also is available through the SEC's website on the internet at <http://www.sec.gov>. The statements contained in this prospectus as to the contents of any contract or other document filed as an exhibit to the Registration Statement are, of necessity, brief descriptions thereof and are not necessarily complete.

In connection with the offering, we will register our common stock with the SEC under Section 12(b) of the Securities Exchange Act of 1934, and, upon such registration, we and the holders of our stock will become subject to the proxy solicitation rules, reporting requirements and restrictions on stock purchases and sales by directors, officers and shareholders with 10% or more of the voting power, the annual and periodic reporting requirements and certain other requirements of the Securities Exchange Act of 1934.

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Report of Independent Registered Public Accounting Firm

**Independent Auditors' Report**

To the Board of Directors of  
Nodak Mutual Insurance Company

We have audited the accompanying consolidated balance sheet of Nodak Mutual Insurance Company and Subsidiaries (collectively, the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, change in equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nodak Mutual Insurance Company and Subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ WeiserMazars LLP

Fort Washington, Pennsylvania  
August 10, 2016

**Nodak Mutual Insurance Company and Subsidiaries****Consolidated Balance Sheets  
December 31, 2015 and 2014  
(dollars in thousands)**

	2015	2014
<b>Assets:</b>		
Cash and cash equivalents	\$ 14,521	\$ 21,729
Fixed income securities, at fair value	153,443	133,168
Equity securities, at fair value	27,783	29,238
Other investments	2,046	2,046
Total cash and investments	197,793	186,181
Premiums and agents' balances receivable	20,039	17,538
Deferred policy acquisition costs	8,444	7,240
Reinsurance recoverable on paid losses	162	1,448
Reinsurance recoverable on unpaid losses	5,109	5,676
Accrued investment income	1,364	1,195
Property and equipment	4,712	4,706
Receivable from Federal Crop Insurance Co	14,002	17,028
Goodwill	2,628	2,628
Federal income tax recoverable	882	—
Other assets	3,489	3,575
Total assets	<u>\$ 258,624</u>	<u>\$ 247,215</u>
<b>Liabilities and Equity:</b>		
<b>Liabilities:</b>		
Unpaid losses and loss expenses	\$ 45,342	\$ 50,518
Unearned premiums	53,487	49,895
Reinsurance payable	537	155
Deferred income taxes, net	3,521	5,027
Accrued expenses and other liabilities	5,819	4,678
Accrued income taxes payable	—	1,250
Commitments and Contingencies	—	—
Total liabilities	<u>108,706</u>	<u>111,523</u>
<b>Equity:</b>		
Retained earnings	135,040	117,584
Non-controlling interest	3,384	3,354
Accumulated other comprehensive income, net of tax	11,494	14,754
Total equity	<u>149,918</u>	<u>135,692</u>
Total liabilities and equity	<u>\$ 258,624</u>	<u>\$ 247,215</u>

The accompanying notes are an integral part of these consolidated financial statements

**Nodak Mutual Insurance Company and Subsidiaries****Consolidated Statements of Operations  
Years Ended December 31, 2015 and 2014  
(dollars in thousands)**

	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>		
Net premiums earned	\$ 139,473	\$ 131,947
Fee income	1,709	561
Net investment income	4,184	4,133
Net realized capital gain on investments	823	1,073
Other income	145	54
Total revenues	<u>146,334</u>	<u>137,768</u>
<b>Expenses:</b>		
Losses and loss adjustment expenses	83,876	89,306
Amortization of deferred policy acquisition costs	18,621	16,523
Other underwriting and general expenses	17,964	11,731
Total expenses	<u>120,461</u>	<u>117,560</u>
Income before income taxes	25,873	20,208
Income taxes	8,288	6,396
Net income	17,585	13,812
Net income attributable to non-controlling interest	(129)	(38)
Net income attributable to Nodak Mutual Insurance Company	<u>\$ 17,456</u>	<u>\$ 13,774</u>

The accompanying notes are an integral part of these consolidated financial statements

**Nodak Mutual Insurance Company and Subsidiaries****Consolidated Statements of Comprehensive Income**  
**Years Ended December 31, 2015 and 2014**  
**(dollars in thousands)**

	2015		
	Attributable to Non-Controlling Interest	Attributable to Nodak Mutual Insurance Company	Total
Net income	\$ 129	\$ 17,456	\$ 17,585
Other comprehensive income, before tax:			
Holding gains (losses) on investments	(152)	(4,192)	(4,345)
Reclassification adjustment for net realized losses (gains) included in net income	—	(823)	(823)
Other comprehensive income, before tax	(152)	(5,015)	(5,168)
Income tax expense related to items of other comprehensive income	53	1,755	1,809
Other comprehensive income, net of tax	(99)	(3,260)	(3,359)
Comprehensive income	\$ 30	\$ 14,196	\$ 14,226

The accompanying notes are an integral part of these consolidated financial statements

**Nodak Mutual Insurance Company and Subsidiaries****Consolidated Statements of Comprehensive Income**  
**Years Ended December 31, 2015 and 2014**  
**(dollars in thousands)**

	2014		
	Attributable to Non-Controlling Interest	Attributable to Nodak Mutual Insurance Company	Total
Net income	\$ 38	\$ 13,774	\$ 13,812
Other comprehensive income, before tax:			
Holding gains (losses) on investments	87	5,547	5,635
Reclassification adjustment for net realized losses (gains) included in net income	148	(1,221)	(1,073)
Other comprehensive income, before tax	235	4,326	4,562
Income tax expense related to items of other comprehensive income	(82)	(1,514)	(1,597)
Other comprehensive income, net of tax	153	2,812	2,965
Comprehensive income	\$ 191	\$ 16,586	\$ 16,777

The accompanying notes are an integral part of these consolidated financial statements

**Nodak Mutual Insurance Company and Subsidiaries****Consolidated Statements of Changes in Equity**  
**Years Ended December 31, 2015 and 2014**  
**(dollars in thousands)**

	<u>Paid-in and Contributed Capital</u>	<u>Non- controlling Interest</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Retained Earnings</u>	<u>Total Equity</u>
Balance at January 1, 2014	\$ —	\$ 3,163	\$ 11,942	\$103,810	\$ 118,915
Net income	—	38	—	13,774	13,812
Other comprehensive income, net of tax	—	153	2,812	—	2,965
Balance at December 31, 2014	—	3,354	14,754	117,584	135,692
Net income	—	129	—	17,456	17,585
Other comprehensive income, net of tax	—	(99)	(3,260)	—	(3,359)
Balance at December 31, 2015	<u>\$ —</u>	<u>\$ 3,384</u>	<u>\$ 11,494</u>	<u>\$135,040</u>	<u>\$ 149,918</u>

The accompanying notes are an integral part of these consolidated financial statements



**Nodak Mutual Insurance Company and Subsidiaries****Consolidated Statement of Cash Flows**  
**Years Ended December 31, 2015 and 2014**  
**(dollars in thousands)**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Net income	\$ 17,585	\$ 13,812
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized capital gains on investments	(823)	(1,073)
Depreciation of fixed assets	523	491
Amortization of intangibles	52	(67)
Amortization of deferred policy acquisition costs	18,621	16,523
Net amortization of premiums and discounts on investments	616	475
Provision for doubtful accounts	—	—
Changes in assets and liabilities which provided (used) cash:		
Premiums and agents' balances receivable	(2,501)	(576)
Deferred policy acquisition costs	(19,825)	(17,023)
Reinsurance recoverable on paid losses	1,286	1,935
Reinsurance recoverable on unpaid losses	567	(835)
Accrued investment income	(169)	47
Federal Crop Insurance Company receivables	2,304	(3,171)
Federal income tax recoverable	(799)	—
Other assets	673	160
Unpaid loss and loss adjustment expenses	(5,176)	(1,553)
Unearned premiums	3,592	2,210
Reinsurance balances payable	382	(74)
Deferred income taxes	378	105
Accrued expenses and other liabilities	1,096	(1,361)
Income taxes payable	(1,250)	793
Amounts withheld for others	—	(369)
Other liabilities	45	(39)
Net cash provided by operating activities	<u>17,177</u>	<u>10,410</u>
Cash flows from investing activities:		
Proceeds from sales of fixed income securities	13,698	23,525
Proceeds from sales of equity securities	2,821	2,020
Purchases of fixed income securities	(37,033)	(26,334)
Purchases of equity securities	(3,340)	(2,017)
Purchase of Tri-States, net of cash acquired	—	336
Other	—	43
Purchases of property and equipment, net	(531)	(620)
Net cash used in investing activities	<u>(24,385)</u>	<u>(3,047)</u>
Net increase in cash	(7,208)	7,363
Cash and cash equivalents at beginning of year	21,729	14,366
Cash and cash equivalents at end of year	<u>\$ 14,521</u>	<u>\$ 21,729</u>

The company paid \$10,072 and \$4,807 in income taxes during 2015 and 2014, respectively.

The accompanying notes are an integral part of these consolidated financial statements

## 1. Summary of Significant Accounting Policies

### Organization and Business:

Nodak Mutual Insurance Company, an affiliated company of North Dakota Farm Bureau, is the largest domestic property and casualty insurance company in North Dakota. The company was incorporated on April 15, 1946, under the laws of North Dakota. Nodak Mutual consists of five entities, Nodak Mutual Insurance Co., Nodak Agency, Inc., American West Insurance Company, Primero Insurance Company and an affiliated company, Battle Creek Mutual Insurance Company.

Nodak Mutual is a leading writer of property/casualty insurance in North Dakota specializing in providing private passenger auto, homeowners, farmowners, commercial, crop hail, and Federal crop insurance coverages.

American West, a wholly owned subsidiary of Nodak Mutual, is a property/casualty insurance company licensed in eight states in the Midwest and Western regions of the United States. The company began writing policies in 2002 and currently writes in Minnesota, North Dakota and South Dakota.

Primero Insurance Company, a wholly owned subsidiary of Tri-State, Ltd. Tri-State, Ltd. is a non-active shell corporation 100% owned by Nodak Mutual. Primero is a property/casualty insurance company solely writing non-standard automobile coverage in the states of Nevada, Arizona, North Dakota and South Dakota.

Nodak Agency, a wholly owned subsidiary of Nodak Mutual, is a non-active shell corporation.

Battle Creek Mutual is controlled by Nodak Mutual via a surplus note and 100% quota share agreement. The terms of the surplus note and quota share allow Nodak Mutual to appoint two-thirds of the board of directors. Battle Creek Mutual is a property/casualty insurance company writing personal auto, homeowners, and farm coverages solely in the state of Nebraska.

The same executive management and underwriting personnel administer products, classes of business, pricing practices and underwriting standards of Nodak Mutual and the insurance subsidiaries. In addition, the insurance carriers share a combined business plan to achieve market penetration and underwriting profitability objectives. Distinctions within the products of the insurance carriers generally relate to the states in which the risk is located and specific risk profiles targeted within similar classes of business.

### Basis of consolidation:

Our consolidated financial statements, which we have prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), include our accounts and those of our wholly owned subsidiaries, as well as Battle Creek, and entity we control via contract. We have eliminated all significant inter-company accounts and transactions in consolidation. The terms "we," "us," "our" or the "Company" as used herein refer to the consolidated entity.

### Use of Estimates:

In preparing our consolidated financial statements, our management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheet and revenues and expenses for the period then ended. Actual results could differ significantly from those estimates.

We make estimates and assumptions that can have a significant effect on amounts and disclosures we report in our consolidated financial statements. The most significant estimates relate to our insurance carriers' reserves for property and casualty insurance unpaid losses and loss expenses, valuation of investments and determination of other-than-temporary impairment and our insurance carriers' policy acquisition costs. While we believe our estimates and the estimates of our insurance carriers are appropriate, the ultimate amounts may differ from the estimates provided. We regularly review our methods for making these estimates as well as the continuing appropriateness of the estimated amounts, and we reflect any adjustment we consider necessary in our current results of operations.

## 1. Summary of Significant Accounting Policies – (continued)

### Variable-Interest Entities:

Variable interest entities (“VIEs”) are required to be consolidated by the primary beneficiary of the VIE.

We assess our investments in other entities at inception to determine if any meet the qualifications of a VIE. We consider an investment in another company to be a VIE if either (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support (b) characteristics of a controlling financial interest are missing (either the ability to make decisions through voting or other rights, the obligation to absorb expected losses of the entity or the right to receive the expected residual returns of the entity) or (c) the voting rights of the equity holders are not proportional to their obligations to absorb the expected losses of the entity and/or the rights to receive the expected residual returns of the entity, and substantially all of the entity’s activities either involve or are conducted on behalf of an investor that has disproportionately few voting rights. Upon the occurrence of certain events we would reassess our initial determination of whether the investment is a VIE.

We evaluate whether we are the primary beneficiary of each VIE and we consolidate the VIE if we have both (1) the power to direct the economically significant activities of the entity and (2) the obligation to absorb losses of, or the right to receive benefits from, the entity. We consider the contractual agreements that define the ownership structure, distribution of profits and losses, risks, responsibilities, indebtedness, voting rights and board representation of the respective parties in determining whether we qualify as the primary beneficiary. Our assessment of whether we are the primary beneficiary of a VIE is performed at least annually.

We control Battle Creek via a 100% quota share reinsurance agreement between Nodak and Battle Creek, as well as the ability to control a majority of the Board of Directors of Battle Creek. Through the effects of the 100% quota share agreement with Battle Creek, we are considered the primary beneficiary of Battle Creek’s operating results excluding investment income, bad debt expense, and income taxes. Therefore, we consolidate Battle Creek and Battle Creek’s policyholders’ interest in Battle Creek is reflected as non-controlling interests in equity in our consolidated balance sheet.

### Cash and Cash Equivalents:

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

### Investments:

We have categorized our investment portfolio as “available-for-sale” and have reported the portfolio at fair value, adjusted for other than temporary declines in fair value, with unrealized gains and losses, net of tax, reported as a net amount in other comprehensive income. Fair values are based on quoted market prices or dealer quotes, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities. Amortization of premium and accretion of discount are computed using the scientific (constant yield to worst) method. Realized gains and losses are determined using the specific identification method and included in the determination of income. Net investment income includes interest and dividend income together with amortization of market premiums and discounts, and is net of investment management and custody fees.

We review our investments each quarter to determine whether a decline in fair value below the amortized cost basis is other than temporary. Accordingly, we assess whether we intend to sell or it is more likely than not that we will be required to sell a security before recovery of its amortized cost basis less any current-period credit losses. For debt securities that are considered other-than-temporarily impaired and that we do not intend to sell and will not be required to sell prior to recovery of the amortized cost basis, we separate the amount of the impairment into the amount that is credit related (credit loss component) and the amount due to all other factors. The credit loss component is recognized in earnings and is the difference between the security’s amortized cost basis and the present value of its expected future cash flows discounted at the security’s effective yield. The remaining difference between the security’s fair value and the present

## 1. Summary of Significant Accounting Policies – (continued)

value of future expected cash flows is due to factors that are not credit related and, therefore, is not required to be recognized as losses in the consolidated statement of operations, but is recognized in other comprehensive income.

We must establish the appropriate level in the fair value hierarchy for each fair value measurement. The hierarchy gives the highest priority to unadjusted quoted market price in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to unobservable inputs (Level III measurements). An asset's or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation.

Level I — Quoted price in active markets for identical assets and liabilities.

Level II — Quoted prices in markets that are not active or inputs that are observable either directly or indirectly. Level II inputs include quoted prices for similar assets or liabilities other than quoted in prices in Level I; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level III — Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Unobservable inputs reflect the reporting entity's own assumptions that market participants would use in pricing the asset or liability. Level III assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

### Fair Value of Financial Instruments:

Our other financial instruments aside from investments are cash and cash equivalents, premium and agents' balances, and accrued expenses and accounts payable. The carrying amounts for cash and cash equivalents, premium and agents' balances, and accrued expenses and accounts payable approximate their fair value based on their short-term nature. Other invested assets that do not have observable inputs and little or no market activity are carried on a cost basis. The carrying value of these other invested assets are \$2,046 at December 31, 2015 and 2014.

### Revenue Recognition:

We record premiums written at policy inception and recognize them as revenue on a pro rata basis over the policy term. The portion of premiums that could be earned in the future is deferred and reported as unearned premiums. When policies lapse, the Company reversed the unearned portion of the written premium and removes the applicable unearned premium. Policy-related fee income is recognized when collected.

The Company uses the direct write-off method for recognizing bad debts. Accounts are deemed to be delinquent after 60 days except for those accounts associated with amounts due from insureds for premiums in which case policy cancellation procedures are commenced in accordance with state insurance regulations. Any earned but uncollected premiums are written off immediately upon the effective date of policy cancellation.

### Policy Acquisition Costs:

We defer our policy acquisition costs, consisting primarily of commissions, premium taxes and certain other underwriting costs, reduced by ceding commissions, that vary with and relate directly to the production of business. We amortize these deferred policy acquisition costs over the period in which our insurance subsidiaries earn the premiums. The method we follow in computing deferred policy acquisition costs limits the amount of such deferred costs to their estimated realizable value, which gives effect to the premium to be earned, related investment income, losses and loss expenses and certain other costs we expect to incur as our insurance subsidiaries earn the premium.

## 1. Summary of Significant Accounting Policies – (continued)

### Property and Equipment:

We report property and equipment at depreciated cost that we compute using the straight-line method based upon estimated useful lives of the assets.

### Loss and Loss Adjustment Expenses:

Liabilities for losses and loss expenses are estimates at a given point in time of the amounts an insurer expects to pay with respect to policyholder claims based on facts and circumstances then known. At the time of establishing its estimates, an insurer recognizes that its ultimate liability for losses and loss expenses will exceed or be less than such estimates. We base our estimates of liabilities for losses and loss expenses on assumptions as to future loss trends and expected claims severity, judicial theories of liability and other factors. However, during the loss adjustment period, we may learn additional facts regarding certain claims, and consequently, it often becomes necessary for us to refine and adjust our estimates of liability. We reflect any adjustments to our liabilities for losses and loss expenses in our operating results in the period in which we determine the need for a change in the estimates.

We maintain liabilities for the payment of losses and loss expenses with respect to both reported and unreported claims. We establish these liabilities for the purpose of covering the ultimate costs of settling all losses, including investigation and litigation costs. We base the amount of our liability for reported losses primarily upon a case-by-case evaluation of the type of risk involved, knowledge of the circumstances surrounding each claim and the insurance policy provisions relating to the type of loss their policyholder incurred. We determine the amount of our liability for unreported claims and loss expenses on the basis of historical information by line of insurance. We account for inflation in the reserving function through analysis of costs and trends and reviews of historical reserving results. We closely monitor our liabilities and recompute them periodically using new information on reported claims and a variety of statistical techniques. We do not discount our liabilities for losses.

Reserve estimates can change over time because of unexpected changes in assumptions related to our external environment and, to a lesser extent, assumptions as to our internal operations. Assumptions related to our external environment include the absence of significant changes in tort law and the legal environment that increase liability exposure, consistency in judicial interpretations of insurance coverage and policy provisions and the rate of loss cost inflation. Internal assumptions include consistency in the recording of premium and loss statistics, consistency in the recording of claims, payment and case reserving methodology, accurate measurement of the impact of rate changes and changes in policy provisions, consistency in the quality and characteristics of business written within a given line of business and consistency in reinsurance coverage and collectability of reinsured losses, among other items. To the extent we determine that underlying factors impacting our assumptions have changed, we attempt to make appropriate adjustments for such changes in our reserves. Accordingly, our ultimate liability for unpaid losses and loss expenses will likely differ from the amount recorded.

### Income Taxes:

With the exception of Battle Creek Mutual, which files a stand-alone return, we currently file a consolidated federal income tax return.

The Company reports any tax related interest and penalties if incurred in its income tax expense in the year such amounts are determinable.

We account for income taxes using the asset and liability method. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of our assets and liabilities at enacted tax rates expected to be in effect when we realize or settle such amounts.

### Credit Risk:

Our objective is to earn competitive returns by investing in a diversified portfolio of securities. Our portfolio of fixed maturity securities and, to a lesser extent, short-term investments is subject to credit risk. We

## 1. Summary of Significant Accounting Policies – (continued)

define this risk as the potential loss in fair value resulting from adverse changes in the borrower's ability to repay the debt. We manage this risk by performing an analysis of prospective investments and through regular reviews of our portfolio by our investment staff and advisors. We also limit the amount of our total investment portfolio that we invest in any one security.

Property and liability insurance coverages are marketed through captive agents in North Dakota and through independent insurance agencies located throughout all other operating areas. All business is billed directly to the policyholders.

We maintain cash balances primarily at one bank, which are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250. During the normal course of business, balances are maintained above the FDIC insurance limit. The Company maintains short-term investment balances in investment grade money market accounts that are insured by the Securities Investor Protection Corporation ("SIPC") up to \$500. On occasion, balances for these accounts are maintained in excess of the SIPC insurance limit.

### Reinsurance:

The Company limits the maximum net loss that can arise from large risks or risks in concentrated areas of exposure by reinsuring (ceding) certain levels of risks with other insurers or reinsurers, either on an automatic basis under general reinsurance contracts known as "treaties" or by negotiation on substantial individual risks. Ceded reinsurance is treated as the risk and liability of the assuming companies.

In the event that all or any of the reinsuring companies might be unable to meet their obligations under existing reinsurance agreements, the Company would be liable for such defaulted amounts.

### Advertising Costs:

Advertising costs are expensed as they are incurred. Advertising expense was \$983 and \$905 for the years ended December 31, 2015 and 2014, respectively.

### Goodwill and Other Intangible Assets:

Goodwill represents the excess of the purchase price over the underlying fair value of acquired entities. When completing acquisitions, we seek also to identify separately identifiable intangible assets that we have acquired. We assess goodwill and intangible assets with an indefinite useful life for impairment annually. We also assess goodwill and other intangible assets for impairment upon the occurrence of certain events. In making our assessment, we consider a number of factors including operating results, business plans, economic projections, anticipated future cash flows and current market data. Inherent uncertainties exist with respect to these factors and to our judgment in applying them when we make our assessment. Impairment of goodwill and other intangible assets could result from changes in economic and operating conditions in future periods. We did not record any impairments of goodwill or other intangible assets during the years ended December 31, 2015 and 2014.

Goodwill representing the excess of the purchase price over the fair value of the net assets acquired is reported separately in the balance sheet. The purchase price in excess of the fair value of net assets acquired was negotiated at arms-length with an unrelated party and was based upon the strategic decision by Company management to expand both the geographic footprint and product lines of the Company. The nature of the business acquired was such that there were limited intangible assets not reflected in the net assets acquired. The purchase price was paid with a combination of cash and cancellation of obligations owed to the acquired company by the sellers. The goodwill which arose from this transaction is included in the basis of the net assets acquired and this is not deductible for tax purposes. Revenue and earnings from the acquired entity for the month of December 2014 was not material to the group as a whole.

## 2. Tri-State LTD, Acquisition

Effective December 4, 2014 (the “Tri-State Acquisition Date”), we acquired 100% of the stock of Tri-State, LTD (“Tri-State”), a Nevada corporation, from an unaffiliated party. Tri-State owns 100% of the stock of Primero Insurance Company (“Primero”), a Nevada corporation. Primero is a property and casualty insurance company which writes non-standard automobile coverage in the states of Nevada, South Dakota, Arizona, and North Dakota. The consolidated financial statements reflect the consolidated results of operations of Tri-State for the period beginning December 4, 2014 through December 31, 2014.

The purchase price of \$12,025 was based on a negotiated price comprised of \$10,295 in cash proceeds at closing, with subsequent settlement of affiliated balances of \$1,730.

The purchase price was allocated as follows:

Cash	\$ 12,361
Premium receivables	939
Reinsurance and other receivables	1,694
Real Estate	550
Deferred tax asset, net	108
Intangibles	156
Goodwill	—
Other Assets	544
Total assets	<u>16,352</u>
Unpaid losses and loss expenses	5,172
Unearned premiums	1,479
Payables and accrued expenses	304
Total liabilities	<u>6,955</u>
Estimated fair value of assets acquired	9,397
Purchase price	12,025
Excess of purchase price over estimated fair value of net assets	<u>\$ (2,628)</u>

The assets acquired and liabilities assumed were adjusted to their estimated fair values as of the Tri-State Acquisition Date. The excess of purchase price over the estimated fair value of net assets created goodwill in the amount of \$2,628.

Intangible assets, primarily consisting of acquired state licenses, were valued at the Tri-State Acquisition Date at \$156. We have determined the useful life to be 36 months, with amortization calculated on a straight-line method over the estimated useful life. We recorded total amortization expense of \$52 and \$4 during the year ended December 31, 2015 and 2014, respectively, related to intangible assets in other underwriting and general expenses on the accompanying consolidated statements of operations.

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**3. Investments**

The amortized cost and estimated fair value of investment securities as of December 31, 2015 and 2014, were as follows:

	2015			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed income securities:				
U.S. Government and agencies	\$ 1,961	\$ 125	\$ (26)	\$ 2,060
States, territories and possessions and political subdivisions	69,218	2,542	(36)	71,724
Corporate securities	49,490	1,054	(1,661)	48,883
Residential mortgage-backed securities	21,407	178	(123)	21,462
Commercial mortgage-backed securities	6,370	66	(22)	6,414
Asset backed securities	2,905	15	(20)	2,900
Total fixed income securities	<u>151,351</u>	<u>3,980</u>	<u>(1,888)</u>	<u>153,443</u>
Equity securities				
Communications	1,328	1,514	—	2,842
Consumer, cyclical	1,947	5,424	(164)	7,207
Consumer, non-cyclical	1,897	2,394	(63)	4,228
Energy	1,075	34	(318)	791
Financial	281	192	—	473
Industrial	2,149	2,261	(72)	4,338
Technology	3,653	4,349	(98)	7,904
Total Equity securities	<u>12,330</u>	<u>16,168</u>	<u>(715)</u>	<u>27,783</u>
Total investments	<u>\$ 163,681</u>	<u>\$ 20,148</u>	<u>\$ (2,603)</u>	<u>\$ 181,226</u>
	2014			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed income securities:				
U.S. Government and agencies	\$ 1,466	\$ 143	\$ (29)	\$ 1,580
States, territories and possessions and political subdivisions	61,873	2,866	(52)	64,687
Corporate securities	40,072	1,573	(307)	41,338
Residential mortgage-backed securities	18,541	328	(37)	18,832
Commercial mortgage-backed securities	5,254	95	(10)	5,339
Asset backed securities	1,384	15	(7)	1,392
Total fixed income securities	<u>128,590</u>	<u>5,020</u>	<u>(442)</u>	<u>133,168</u>
Equity securities				
Communications	1,004	1,718	(31)	2,691
Consumer, cyclical	2,231	5,411	(72)	7,570
Consumer, non-cyclical	1,641	2,394	(13)	4,022
Energy	374	—	—	374
Financial	542	279	(5)	816
Industrial	2,321	3,402	(25)	5,698
Technology	3,012	5,076	(21)	8,067
Total Equity securities	<u>11,125</u>	<u>18,280</u>	<u>(167)</u>	<u>29,238</u>
Total investments	<u>\$ 139,715</u>	<u>\$ 23,300</u>	<u>\$ (609)</u>	<u>\$ 162,406</u>



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**3. Investments – (continued)**

The amortized costs and estimated fair value of bonds at December 31, 2015 and 2014, by contractual maturity, are shown below. Actual maturities could differ from contractual maturities because borrowers have the right to call or prepay certain obligations which may or may not include call or prepayment penalties.

	2015	
	Amortized Cost	Fair Value
Due to mature:		
One year or less	\$ 6,010	\$ 6,103
After one year through five years	40,615	42,242
After five years	59,852	59,815
After ten years	14,192	14,507
Mortgage/asset backed securities	30,682	30,776
Total fixed income securities	<u>\$151,351</u>	<u>\$ 153,443</u>
	2014	
	Amortized Cost	Fair Value
Due to mature:		
One year or less	\$ 1,551	\$ 1,577
After one year through five years	35,127	37,173
After five years	54,804	56,634
After ten years	11,929	12,221
Mortgage/asset backed securities	25,179	25,563
Total fixed income securities	<u>\$128,590</u>	<u>\$ 133,168</u>

Fixed security investments with a market value of \$3,544 at December 31, 2015 and \$3,519 at December 31, 2014 have been deposited with various state regulatory agencies as required by law. The Company has no pledged assets to secure any obligations.

The following table summarizes, for all securities in an unrealized loss position at December 31, 2015 and 2014, the aggregate fair value and gross unrealized loss by length of time the amounts have continuously been in an unrealized loss position:

	2015					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturities:						
U.S. Government and agencies	\$ 798	\$ (7)	\$ 485	\$ (19)	\$ 1,283	\$ (26)
States, territories and possessions and political subdivisions	2,932	(30)	244	(6)	3,176	(36)
Corporate securities	21,139	(697)	2,465	(964)	23,604	(1,661)
Residential mortgage-backed securities	10,249	(123)	—	—	10,249	(123)
Commercial mortgage-backed securities	2,571	(22)	—	—	2,571	(22)
Asset backed securities	1,976	(20)	—	—	1,976	(20)
Total fixed maturities	<u>39,665</u>	<u>(899)</u>	<u>3,194</u>	<u>(989)</u>	<u>42,859</u>	<u>(1,888)</u>

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**3. Investments – (continued)**

	2015					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equity securities						
Consumer, cyclical	\$ 343	\$ (162)	\$ 17	\$ (2)	\$ 360	\$ (164)
Consumer, non-cyclical	304	(63)	—	—	304	(63)
Energy	(24)	(318)	—	—	(24)	(318)
Industrial	727	(72)	—	—	727	(72)
Technology	652	(96)	159	(2)	811	(98)
Total Equity securities	<u>2,002</u>	<u>(711)</u>	<u>176</u>	<u>(4)</u>	<u>2,178</u>	<u>(715)</u>
Total investments	<u>\$41,667</u>	<u>\$(1,610)</u>	<u>\$ 3,370</u>	<u>\$ (993)</u>	<u>\$45,037</u>	<u>\$ (2,603)</u>
	2014					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturities:						
U.S. Government and agencies	\$ —	\$ —	\$ 779	\$ (29)	\$ 779	\$ (29)
States, territories and possessions and political subdivisions	1,438	(6)	2,962	(46)	4,400	(52)
Corporate securities	7,471	(122)	3,600	(185)	11,071	(307)
Residential mortgage-backed securities	768	(1)	3,268	(36)	4,036	(37)
Commercial mortgage-backed securities	798	(3)	349	(7)	1,147	(10)
Asset backed securities	25	—	443	(7)	468	(7)
Total fixed maturities	<u>10,500</u>	<u>(132)</u>	<u>11,401</u>	<u>(310)</u>	<u>21,901</u>	<u>(442)</u>
Equity securities						
Communications	227	(31)	—	—	227	(31)
Consumer, cyclical	501	(51)	245	(21)	746	(72)
Consumer, non-cyclical	221	(13)	—	—	221	(13)
Financial	—	—	290	(5)	290	(5)
Industrial	—	—	131	(25)	131	(25)
Technology	522	(21)	—	—	522	(21)
Total Equity securities	<u>1,471</u>	<u>(116)</u>	<u>666</u>	<u>(51)</u>	<u>2,137</u>	<u>(167)</u>
Total investments	<u>\$11,971</u>	<u>\$ (248)</u>	<u>\$12,067</u>	<u>\$ (361)</u>	<u>\$24,038</u>	<u>\$ (609)</u>

### 3. Investments – (continued)

We frequently review our investment portfolio for declines in fair value. Our process for identifying declines in the fair value of investments that are other than temporary involves consideration of several factors. These factors include (i) the time period in which there has been a significant decline in value, (ii) an analysis of the liquidity, business prospects and overall financial condition of the issuer, (iii) the significance of the decline and (iv) our intent and ability to hold the investment for a sufficient period of time for the value to recover. When our analysis of the above factors results in the conclusion that declines in fair values are other than temporary, the cost of the securities is written down to fair value and the previously unrealized loss is therefore reflected as a realized loss. The Company recorded \$139 of impairments on four equity securities in 2015 and \$446 of impairments on five equity securities in 2014. As of December 31, 2015, 158 fixed maturities have unrealized losses. In conjunction with our outside investment advisors, we analyzed the credit ratings of the securities as well as the historical monthly amortized cost to fair value ratio of securities in an unrealized loss position. This analysis yielded no fixed maturities which had amortized cost values less than 80% of fair value for the entire 12-month period of 2015. Therefore, we do not consider these investments to be other-than-temporarily impaired at December 31, 2015.

Net investment income consisted of the following for the year ended December 31, 2015 and 2014:

	2015	2014
Fixed income securities	\$ 4,420	\$ 4,418
Equity securities	368	293
Real estate	906	806
Cash and cash equivalents	98	76
Total gross investment income	5,792	5,593
Investment expenses	1,608	1,460
Net investment income	<u>\$ 4,184</u>	<u>\$ 4,133</u>
Components of Net Realized (Losses) Gains	2015	2014
Gross realized gains	\$ 1,328	\$ 1,678
Gross realized losses	(366)	(159)
OTTI losses	(139)	(446)
Net Realized (losses) gains	<u>\$ 823</u>	<u>\$ 1,073</u>

### 4. Fair Value Measurements

We maximize the use of observable inputs in our valuation techniques and apply unobservable inputs only to the extent that observable inputs are unavailable. The largest class of assets and liabilities carried at fair value by the Company at December 31, 2015 and 2014 were fixed income securities.

Prices provided by independent pricing services and independent broker quotes can vary widely, even for the same security.

Our available-for-sale investments are comprised of a variety of different securities, which are classified into levels based on the valuation technique and inputs used in their valuation. The valuation of cash equivalents and equity securities are generally based on Level 1 inputs, which use the market approach valuation technique. The valuation of fixed income securities, generally incorporate significant Level 2 inputs using the market and income approach techniques. We may assign a lower level to inputs typically considered to be Level 2 based on our assessment of liquidity and relative level of uncertainty surrounding inputs. There were no assets or liabilities classified at Level 3 at December 31, 2015 and 2014.

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**4. Fair Value Measurements – (continued)**

The following table sets forth our assets and liabilities which are measured on a recurring basis by the level within the fair value hierarchy in which fair value measurements fall as of December 31, 2015 and 2014:

	Fair Value Measurement at December 31, 2015			
	Total	Level I	Level II	Level III
Assets:				
Fixed income securities:				
U.S. Government and agencies	\$ 2,060	\$ —	\$ 2,060	\$ —
States, territories and possessions and political subdivisions	71,724	—	71,724	—
Corporate securities	48,883	—	48,883	—
Residential mortgage-backed securities	21,462	—	21,462	—
Commercial mortgage-backed securities	6,414	—	6,414	—
Asset backed securities	2,900	—	2,900	—
Total fixed income securities	153,443	—	153,443	—
Equity securities				
Communications	2,842	2,842	—	—
Consumer, cyclical	7,207	7,207	—	—
Consumer, non-cyclical	4,228	4,228	—	—
Energy	791	791	—	—
Financial	473	473	—	—
Industrial	4,338	4,338	—	—
Technology	7,904	7,904	—	—
Total Equity securities	27,783	27,783	—	—
Cash and cash equivalents	14,521	14,521	—	—
Total assets at fair value	\$195,747	\$ 42,304	\$153,443	\$ —

	Fair Value Measurement at December 31, 2014			
	Total	Level I	Level II	Level III
Assets:				
Fixed income securities:				
U.S. Government and agencies	\$ 1,580	\$ —	\$ 1,580	\$ —
States, territories and possessions and political subdivisions	64,687	—	64,687	—
Corporate securities	41,338	—	41,338	—
Residential mortgage-backed securities	18,832	—	18,832	—
Commercial mortgage-backed securities	5,339	—	5,339	—
Asset backed securities	1,392	—	1,392	—
Total fixed income securities	133,168	—	133,168	—
Equity securities				
Communications	2,691	2,691	—	—
Consumer, cyclical	7,570	7,570	—	—
Consumer, non-cyclical	4,022	4,022	—	—
Energy	374	374	—	—
Financial	816	816	—	—
Industrial	5,698	5,698	—	—
Technology	8,067	8,067	—	—
Total Equity securities	29,238	29,238	—	—
Cash and cash equivalents	21,729	21,729	—	—
Total assets at fair value	\$184,135	\$ 50,967	\$133,168	\$ —

## 5. Reinsurance

Nodak Mutual will assume and cede certain premiums and losses to and from various companies and associations under various reinsurance agreements. The Company seeks to limit the maximum net loss that can arise from large risks or risks in concentrated areas of exposure through use of these agreements, either on an automatic basis under general reinsurance contracts known as treaties or by negotiation on substantial individual risks.

Reinsurance contracts do not relieve the Company from the obligation to policyholders. Additionally, failure of reinsurers to honor their obligations could result in significant losses to us. There can be no assurance that reinsurance will continue to be available to us at the same extent, and at the same cost, as it has in the past. The Company may choose in the future to reevaluate the use of reinsurance to increase or decrease the amounts of risk ceded to reinsurers.

Nodak Mutual actively monitors and evaluates the financial condition of the reinsurers and develops estimates of the uncollectible amounts due from reinsurers. Such estimates are made based on periodic evaluation of balances due from reinsurers, judgments regarding reinsurers' solvency, known disputes, reporting characteristics of the underlying reinsured business, historical experience, current economic conditions and the state of reinsurer relations in general. Collection risk is mitigated from reinsurers by entering into reinsurance arrangements only with reinsurers that have strong credit ratings and statutory surplus above certain levels. The Company's largest reinsurance recoverables on paid and unpaid losses were due from reinsurance companies with A.M. Best ratings of A-.

A reconciliation of direct to net premiums on both a written and an earned basis is as follows:

	2015		2014	
	Premiums Written	Premiums Earned	Premiums Written	Premiums Earned
Direct premium	\$ 172,775	\$ 169,222	\$ 156,035	\$ 153,496
Assumed premium	3,729	3,690	4,269	4,563
Ceded premium	(33,439)	(33,439)	(26,112)	(26,112)
Net premiums	<u>\$ 143,065</u>	<u>\$ 139,473</u>	<u>\$ 134,192</u>	<u>\$ 131,947</u>

A reconciliation of direct to net losses and loss adjustment expense is as follows:

	2015	2014
Direct losses and loss adjustment expenses	\$89,242	\$ 111,033
Assumed losses and loss adjustment expenses	3,023	933
Ceded losses and loss adjustment expenses	(8,389)	(22,660)
Net losses and loss adjustments expenses	<u>\$83,876</u>	<u>\$ 89,306</u>

We would be required to return ceded commissions of \$0 to our reinsurers if 100% of our ceded reinsurance was cancelled as of December 31, 2015 and 2014.

## 6. Deferred Policy Acquisition Costs

Activity with regards to our deferred acquisition costs during the year ended December 31, 2015 and 2014 is as follows:

	2015	2014
Balance, beginning of year	\$ 7,240	\$ 6,740
Acquisition costs deferred	19,825	17,023
Acquisition costs charged to earnings	(18,621)	(16,523)
Balance, end of year	<u>\$ 8,444</u>	<u>\$ 7,240</u>

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## 7. Loss and Loss Adjustment Expense Reserves

Activity in the liability for unpaid losses and loss adjustment expenses is summarized as follows:

	2015	2014
Balance at beginning of year:		
Liability for unpaid losses and loss adjustment expense	\$ 50,518	\$ 46,899
Reinsurance ceded	5,676	4,841
Net balance at beginning of year	44,842	42,058
Tri-State acquisition (See Note 2):		
Liability for unpaid losses and loss adjustment expense	—	5,172
Reinsurance ceded	—	—
Net liability assumed	—	5,172
Incurred related to:		
Current year	92,764	97,274
Prior years	(8,888)	(7,968)
Total incurred	83,876	89,306
Paid related to:		
Current year	70,290	75,422
Prior years	18,195	16,272
Total paid	88,485	91,694
Balance at end of year:		
Liability for unpaid losses and loss adjustment expense	45,342	50,518
Reinsurance ceded	5,109	5,676
Net balance at end of year	<u>\$ 40,233</u>	<u>\$ 44,842</u>

The prior years' provision for unpaid losses and loss adjustment expenses decreased by \$8,888 and \$7,968 during 2015 and 2014, respectively. The decrease is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims.

## 8. Property and Equipment

Property and equipment at December 31, 2015 and 2014 consisted of the following:

	2015	2014	Estimated Useful Life
Real estate	\$ 8,873	\$ 8,698	10 – 31 years
Electronic data processing equipment	1,077	964	5 – 7 years
Furniture and fixtures	3,840	3,829	5 – 7 years
Automobiles	864	886	2 – 3 years
	14,654	14,377	
Accumulated depreciation	(9,942)	(9,671)	
Total property and equipment, net	<u>\$ 4,712</u>	<u>\$ 4,706</u>	

Depreciation expense was \$523 and \$491 during the year ended December 31, 2015 and 2014, respectively.

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## 9. Related Party Transactions

We were organized by the North Dakota Farm Bureau (“NDFB”) to provide insurance protection for its members and, accordingly, the two organizations operate for the mutual benefit of each other. We have a royalty agreement with the NDFB which calls for royalties based on the premiums written on Nodak Mutual’s insurance policies. Royalties paid to the NDFB were \$1,230 and \$1,161 for the years ended December 31, 2015 and 2014, respectively. An additional \$95 and \$89 in royalties is accrued as a liability to the NDFB for the years ended December 31, 2015 and 2014, respectively.

The following table illustrates the impact of consolidating Battle Creek into our consolidated balance sheet and statement of operations prior to intercompany eliminations:

	2015	2014
Cash and cash equivalents	\$ 128	\$ 1,971
Investments	4,165	3,590
Accrued investment income	32	30
Premiums receivable	1,958	1,429
Reinsurance recoverables	13,675	10,852
Deferred tax asset, net	1,029	973
Property and equipment	211	242
Other assets	55	41
<b>Total assets</b>	<b>\$ 21,253</b>	<b>\$ 19,128</b>
Unpaid loss and loss expenses	\$ 5,387	\$ 4,396
Unearned premiums	8,288	6,456
Notes payable	3,000	3,000
Reinsurance payable	162	1,447
Accrued expenses and other liabilities	1,032	475
<b>Total liabilities</b>	<b>17,869</b>	<b>15,774</b>
Non-controlling interest	3,384	3,354
Nodak Mutual Insurance Company equity	—	—
<b>Total equity</b>	<b>3,384</b>	<b>3,354</b>
<b>Total liabilities and equity</b>	<b>\$ 21,253</b>	<b>\$ 19,128</b>

Total revenues and expenses of Battle Creek prior to intercompany eliminations were \$129 and \$0 during the year ended December 31, 2015 and \$(42) and \$0 during the year ended December 31, 2014.

## 10. Benefit Plans

The Company sponsors a defined contribution plan that covers all eligible employees. Plan costs are fully funded as they accrue. The Company’s total contribution for the defined contribution plan totaled \$622 for 2015 and \$694 for 2014. The Company also sponsors a 401(k) plan with an automatic contribution to all eligible employees and a matching contribution for eligible employees with a 50% match up to 3%. The Company’s total contributions for the 401(k) plan totaled \$350 for 2015 and \$389 for 2014. All fees associated with both plans are deducted from the eligible employee accounts.

## 11. Line of Credit

Nodak Mutual has a line of credit with Wells Fargo, N.A. for \$3,000, of which there were no outstanding amounts as of December 31, 2015. The line of credit expires on July 31, 2016.

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The components of our provision for income taxes for the years ended December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Current	\$ 7,910	\$ 6,438
Deferred	378	(42)
	<u>\$ 8,288</u>	<u>\$ 6,396</u>

The provision for income taxes differs from the amount that would be computed by applying the statutory federal rate to income before provision for income taxes for the years ended December 31, 2015 and 2014 as a result of the following:

	<u>2015</u>	<u>2014</u>
Expected provision for federal income taxes	\$ 9,067	\$ 7,098
Effect of permanent differences	(111)	(583)
Non-controlling interests	(2)	(81)
Other	(666)	(38)
	<u>\$ 8,288</u>	<u>\$ 6,396</u>

The tax effects of temporary differences that give rise to significant portions of our deferred tax assets and deferred tax liabilities at December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
<b>Deferred tax assets:</b>		
Unearned premium	\$ 3,744	\$ 3,492
Loss reserves	491	651
Carryovers	1,872	1,920
Other	286	355
Total gross deferred tax assets	<u>6,393</u>	<u>6,418</u>
<b>Deferred tax liabilities:</b>		
Deferred policy acquisition costs	2,955	2,534
Net unrealized gains	5,252	7,756
Other	623	23
Total gross deferred tax liabilities	<u>8,830</u>	<u>10,313</u>
Net deferred tax liability	(2,437)	(3,895)
Valuation reserve	(1,084)	(1,132)
Deferred tax liability after valuation reserve	<u>\$ (3,521)</u>	<u>\$ (5,027)</u>

At December 31, 2015 and 2014, the Company had no tax related carryover for operating losses, AMT credits or capital losses. Battle Creek, which files its tax returns on a stand-alone basis had \$5,349 and \$5,486 of net operating loss carryover at December 31, 2015 and 2014, respectively and \$247 and \$449 of net capital losses to apply to future taxable income in December 31, 2015 and 2014, respectively. The net operating loss carryforward expires beginning in 2021 through 2030. The capital loss carryover expires in 2015 and 2016. In 2015 \$202 of the capital loss carryover expired and \$0 of the capital loss carryover was utilized against realized capital. In 2014, \$22 of the capital loss carryover expired and \$2 of the capital loss carryover was utilized against capital.

As of December 31, 2015, we did not have any unrecognized tax benefits, and had no significant uncertain tax positions. No interest and penalties were recognized during the year ended December 31, 2015.



### 13. Operating Leases

We lease facilities, equipment and software under non-cancellable operating leases expiring at various times through November 2017. Expenses related to these commitments for the year ended December 31, 2015 was \$236 and for the year ended December 31, 2014 was \$244.

Minimum future payments under these non-cancellable leases having remaining terms in excess of one year as of December 31, 2015 and 2014 for each of the next five years and in the aggregate are as follows:

2016	\$ 134
2017	80
2018	30
2019	—
2020	—
Total	<u>\$ 244</u>

We also lease a portion of our home office building under a non-cancellable operating lease expiring in December 2017.

### 14. Contingencies

We have been named as a defendant in various lawsuits relating to our insurance operations. Contingent liabilities arising from litigation, income taxes and other matters are not considered to be material to our financial position.

The Company does not have any unrecorded or potential contingent liabilities or material commitments requiring the use of assets as of December 31, 2015 and 2014.

### 15. Reconciliation to Annual Statutory Filings

The following table presents selected information, as filed with insurance regulatory authorities, for our insurance subsidiaries as determined in accordance with accounting practices prescribed or permitted by such insurance regulatory authorities:

	2015	2014
American West:		
Statutory capital and surplus	\$ 11,185	\$ 10,805
Statutory unassigned surplus	5,184	4,804
Statutory net income	458	350
Primero:		
Statutory capital and surplus	8,827	7,869
Statutory unassigned surplus	(432)	(381)
Statutory net income	(11)	123
Battle Creek:		
Statutory capital and surplus	5,561	5,439
Statutory unassigned surplus	2,561	2,439
Statutory net income	127	(42)

State insurance laws require our insurance carriers to maintain certain minimum capital and surplus amounts on a statutory basis. Our insurance carriers are subject to regulations that restrict the payment of dividends from statutory surplus and may require prior approval of their domiciliary insurance regulatory authorities. Our insurance carriers are also subject to risk based capital ("RBC") requirements that may further impact their ability to pay dividends. Our insurance carriers' statutory capital and surplus at December 31, 2015 and 2014 exceeded the amount of statutory capital and surplus necessary to satisfy regulatory requirements, including the RBC requirements, by a significant margin. Amounts available for

**15. Reconciliation to Annual Statutory Filings – (continued)**

distribution to us as dividends from our insurance subsidiaries without prior approval of insurance regulatory authorities in 2016 are \$458 and in 2015 are \$350 from American West.

Our insurance subsidiaries must file financial statements with state insurance regulatory authorities using accounting principles and practices prescribed or permitted by those authorities. We refer to these accounting principles and practices as statutory accounting principles (“SAP”). Accounting principles used to prepare these SAP financial statements differ from those used to prepare financial statements on the basis of GAAP.

Reconciliations of statutory net income and capital and surplus, as determined using SAP, to the amounts included in the accompanying GAAP financial statements are as follows:

	<u>2015</u>	<u>2014</u>
Total equity	\$149,918	\$ 135,692
Equity of other entities	(30)	(1,280)
Investment in subsidiaries	20,009	20,001
Non-admitted assets	(4,185)	(4,085)
Deferred acquisition costs	(8,418)	(7,196)
Unrealized (Gains)/Losses on Bonds	(1,938)	(4,505)
Unrealized Gains/(Losses) on investments carried at cost	1,931	1,736
Deferred taxes	1,932	2,604
Goodwill	(83)	200
Intangibles	(100)	(152)
Surplus Notes	3,000	3,000
Miscellaneous differences	(692)	(322)
Aggregate statutory surplus of insurance subsidiaries	<u>\$161,344</u>	<u>\$ 145,693</u>
Net income	\$ 17,585	\$ 13,812
Losses of other entities	—	199
Deferred acquisition costs	(1,222)	(425)
Deferred taxes	398	(42)
OTTI	139	(416)
Miscellaneous differences	(105)	(567)
Aggregate statutory net earnings	<u>\$ 16,795</u>	<u>\$ 12,561</u>

**16. Subsequent Events**

We have evaluated subsequent events through August 10, 2016, the date these consolidated financial statements were available for issuance.

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**17. Segment Information**

We have three insurance products, which consist of Multi-peril crop, Non-Standard Auto and Other Property and Casualty Coverages. We do not allocate assets, underwriting expenses or other income to the individual product lines and review the products in total for purposes of decision making. We operate only in the United States, and no single customer or agent provides 10 percent or more of our revenues. The table below outlines the revenue earned by insurance product as of December 31, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Revenues:		
Net premiums earned		
Multi-peril Crop and Hail	25,714	36,888
Non-Standard Auto	11,372	809
Other Property and Casualty	<u>102,387</u>	<u>94,250</u>
GAAP Premiums Earned	139,473	131,947
Net Investment Income	4,184	4,133
Realized Investment Gains	823	1,073
Other revenue	<u>1,854</u>	<u>615</u>
Total Revenues	<u><u>146,334</u></u>	<u><u>137,768</u></u>

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**Nodak Mutual Insurance Company and Subsidiaries**

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**June 30, 2016 and 2015**

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## Nodak Mutual Insurance Company and Subsidiaries

Consolidated Balance Sheets  
June 30, 2016 and 2015  
(dollars in thousands)

	2016	2015
<b>Assets:</b>		
Cash and cash equivalents	\$ 12,675	\$ 21,883
Fixed income securities, at fair value	166,277	138,268
Equity securities, at fair value	30,177	29,010
Other investments	1,972	2,046
Total cash and investments	211,101	191,207
Premiums and agents' balances receivable	30,446	27,906
Deferred policy acquisition costs	10,577	9,511
Reinsurance recoverable on paid losses	3,566	3,526
Reinsurance recoverable on unpaid losses	17,782	8,310
Accrued investment income	1,421	1,256
Property and equipment	4,754	4,864
Receivable from Federal Crop Insurance Co	18,892	14,815
Goodwill	2,628	2,628
Federal income tax recoverable	2,410	2,024
Other assets	18,951	16,990
Total assets	<u>\$ 322,528</u>	<u>\$ 283,037</u>
<b>Liabilities and Equity:</b>		
<b>Liabilities:</b>		
Unpaid losses and loss expenses	\$ 67,121	\$ 59,684
Unearned premiums	74,358	68,718
Reinsurance payable	9,067	4,870
Deferred income taxes, net	6,195	5,202
Accrued expenses and other liabilities	7,958	7,394
Accrued income taxes payable	—	126
Commitments and Contingencies	—	—
Total liabilities	<u>164,699</u>	<u>145,994</u>
<b>Equity:</b>		
Retained earnings	139,492	121,777
Non-controlling interest	3,429	3,435
Accumulated other comprehensive income, net of tax	14,908	11,831
Total equity	<u>157,829</u>	<u>137,043</u>
Total liabilities and equity	<u>\$ 322,528</u>	<u>\$ 283,037</u>

The accompanying notes are an integral part of these consolidated financial statements

**Nodak Mutual Insurance Company and Subsidiaries****Consolidated Statements of Operations**  
**Periods Ended June 30, 2016 and 2015**  
**(dollars in thousands)**

	<u>2016</u>	<u>2015</u>
<b>Revenues:</b>		
Net premiums earned	\$ 67,251	\$ 58,922
Fee income	831	861
Net investment income	2,315	2,086
Net realized capital gain on investments	219	728
Other income	(19)	(17)
Total revenues	<u>70,597</u>	<u>62,580</u>
<b>Expenses:</b>		
Losses and loss adjustment expenses	42,585	37,601
Amortization of deferred policy acquisition costs	10,234	10,900
Other underwriting and general expenses	10,742	7,990
Total expenses	<u>63,561</u>	<u>56,491</u>
Income before income taxes	7,036	6,089
Income taxes	2,636	1,844
Net income	4,400	4,245
Net income attributable to non-controlling interest	52	(122)
Net income attributable to Nodak Mutual Insurance Company	<u>\$ 4,452</u>	<u>\$ 4,123</u>

The accompanying notes are an integral part of these consolidated financial statements

**Nodak Mutual Insurance Company and Subsidiaries****Consolidated Statement of Cash Flows**  
**Periods Ended June 30, 2016 and 2015**  
**(dollars in thousands)**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Net income	\$ 4,400	\$ 4,245
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized capital gains on investments	41	(716)
Depreciation of fixed assets	—	49
Amortization of intangibles	31	26
Amortization of deferred policy acquisition costs	(12,367)	10,900
Net amortization of premiums and discounts on investments	405	291
Changes in assets and liabilities which provided (used) cash:		
Premiums and agents' balances receivable	(10,407)	(8,920)
Deferred policy acquisition costs	10,234	(13,171)
Reinsurance recoverable on paid losses	(3,404)	(3,526)
Reinsurance recoverable on unpaid losses	(12,673)	(2,634)
Accrued investment income	(57)	(61)
Federal Crop Insurance Company receivables	(18,174)	(10,476)
Federal income tax recoverable	(1,528)	—
Other assets	(2,209)	(835)
Unpaid loss and loss adjustment expenses	21,779	9,166
Unearned premiums	20,871	18,823
Reinsurance balances payable	8,530	4,715
Deferred income taxes	292	(41)
Accrued expenses and other liabilities	2,295	2,712
Income taxes payable	—	(3,065)
Other liabilities	(156)	4
Net cash provided by operating activities	<u>7,903</u>	<u>7,486</u>
Cash flows from investing activities:		
Proceeds from sales of fixed income securities	10,968	5,621
Proceeds from sales of equity securities	368	1,385
Purchases of fixed income securities	(19,305)	(12,459)
Purchases of equity securities	(1,813)	(1,670)
Other	74	—
Purchases of property and equipment, net	(41)	(209)
Net cash used in investing activities	<u>(9,749)</u>	<u>(7,332)</u>
Net increase (decrease) in cash	(1,846)	154
Cash and cash equivalents at beginning of period	14,521	21,729
Cash and cash equivalents at end of period	<u>\$ 12,675</u>	<u>\$ 21,883</u>

The accompanying notes are an integral part of these consolidated financial statements

**Nodak Mutual Insurance Company and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2016 and 2015  
(dollars in thousands)**

**1. Summary of Significant Accounting Policies**

Organization and Business:

Nodak Mutual Insurance Company (“Nodak Mutual”), an affiliated company of the North Dakota Farm Bureau, is the largest domestic property and casualty insurance company in North Dakota. The company was incorporated on April 15, 1946, under the laws of North Dakota. Nodak Mutual consists of five entities, Nodak Mutual Insurance Co., Nodak Agency, Inc. (“Nodak Agency”), American West Insurance Company (“American West”), Primero Insurance Company (“Primero”) and an affiliated company, Battle Creek Mutual Insurance Company (“Battle Creek Mutual”).

Nodak Mutual is a leading writer of property/casualty insurance in North Dakota specializing in providing private passenger auto, homeowners, farmowners, commercial, crop hail, and Federal crop insurance coverages.

American West, a wholly owned subsidiary of Nodak Mutual, is a property/casualty insurance company licensed in eight states in the Midwest and Western regions of the United States. The company began writing policies in 2002 and currently writes in Minnesota, North Dakota and South Dakota.

Primero Insurance Company is a wholly owned subsidiary of Tri-State, Ltd. Tri-State, Ltd. is a non-active shell corporation 100% owned by Nodak Mutual. Primero is a property/casualty insurance company solely writing non-standard automobile coverage in the states of Nevada, Arizona, North Dakota and South Dakota.

Nodak Agency, a wholly owned subsidiary of Nodak Mutual, is a non-active shell corporation.

Battle Creek Mutual is controlled by Nodak Mutual via a surplus note and 100% quota share agreement. The terms of the surplus note and quota share allow Nodak Mutual to appoint two-thirds of the board of directors. Battle Creek Mutual is a property/casualty insurance company writing personal auto, homeowners, and farm coverages solely in the state of Nebraska.

The same executive management and underwriting personnel administer products, classes of business, pricing practices and underwriting standards of Nodak Mutual and the insurance subsidiaries. In addition, the insurance carriers share a combined business plan to achieve market penetration and underwriting profitability objectives. Distinctions within the products of the insurance carriers generally relate to the states in which the risk is located and specific risk profiles targeted within similar classes of business.

**2. Basis of Presentation**

Our financial information for the interim periods included in this Form S-1 Report is unaudited; however, our financial information we include in this Form S-1 Report reflects all adjustments, consisting only of normal recurring adjustments that, in the opinion of our management, are necessary for a fair presentation of our financial position, results of operations and cash flows for those interim periods. Our results of operations for the six months ended June 30, 2016 are not necessarily indicative of the results of operations we expect for the year ending December 31, 2016.

You should read the interim financial statements we include in this Form S-1 Report in conjunction with the financial statements and the notes to our financial statements contained in our audited financial statements included in this Form S-1 for the year ended December 31, 2015.



**Nodak Mutual Insurance Company and Subsidiaries**

**Notes to Consolidated Financial Statements**

**June 30, 2016 and 2015**

**(dollars in thousands)**

**3. Investments**

The amortized cost and estimated fair value of investment securities as of June 30, 2016 and December 31, 2015, were as follows:

	June 30, 2016			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed income securities:				
U.S. Government and agencies	\$ 5,835	\$ 433	\$ —	\$ 6,268
States, territories and possessions and political subdivisions	68,234	3,496	(2)	71,728
Corporate securities	50,527	2,481	(573)	52,435
Residential mortgage-backed securities	22,739	565	—	23,304
Commercial mortgage-backed securities	8,052	293	—	8,345
Asset backed securities	4,117	80	—	4,197
Total fixed income securities	<u>159,504</u>	<u>7,348</u>	<u>(575)</u>	<u>166,277</u>
Equity securities				
Basic materials	57	3	(1)	59
Communications	1,487	1,625	(19)	3,093
Consumer, cyclical	2,065	4,733	(88)	6,710
Consumer, non-cyclical	2,315	3,112	(61)	5,366
Energy	1,204	217	(399)	1,022
Financial	367	117	(6)	478
Industrial	2,487	2,763	(32)	5,218
Technology	3,949	4,416	(134)	8,231
Total Equity securities	<u>13,931</u>	<u>16,986</u>	<u>(740)</u>	<u>30,177</u>
Total investments	<u>\$ 173,435</u>	<u>\$ 24,334</u>	<u>\$ (1,315)</u>	<u>\$ 196,454</u>
2015				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed income securities:				
U.S. Government and agencies	\$ 1,961	\$ 125	\$ (26)	\$ 2,060
States, territories and possessions and political subdivisions	69,218	2,542	(36)	71,724
Corporate securities	49,490	1,054	(1,661)	48,883
Residential mortgage-backed securities	21,407	178	(123)	21,462
Commercial mortgage-backed securities	6,370	66	(22)	6,414
Asset backed securities	2,905	15	(20)	2,900
Total fixed income securities	<u>151,351</u>	<u>3,980</u>	<u>(1,888)</u>	<u>153,443</u>
Equity securities				
Communications	1,328	1,514	—	2,842
Consumer, cyclical	1,947	5,424	(164)	7,207
Consumer, non-cyclical	1,897	2,394	(63)	4,228
Energy	1,075	34	(318)	791
Financial	281	192	—	473
Industrial	2,149	2,261	(72)	4,338
Technology	3,653	4,349	(98)	7,904
Total Equity securities	<u>12,330</u>	<u>16,168</u>	<u>(715)</u>	<u>27,783</u>
Total investments	<u>\$ 163,681</u>	<u>\$ 20,148</u>	<u>\$ (2,603)</u>	<u>\$ 181,226</u>

**Nodak Mutual Insurance Company and Subsidiaries**

**Notes to Consolidated Financial Statements**

**June 30, 2016 and 2015**

**(dollars in thousands)**

**3. Investments – (continued)**

The amortized costs and estimated fair value of bonds at June 30, 2016, by contractual maturity, are shown below. Actual maturities could differ from contractual maturities because borrowers have the right to call or prepay certain obligations which may or may not include call or prepayment penalties.

	June 30, 2016	
	Amortized Cost	Fair Value
Due to mature:		
One year or less	\$ 8,230	\$ 8,350
After one year through five years	43,220	45,223
After five years	58,126	61,015
After ten years	15,020	15,843
Mortgage/asset backed securities	34,908	35,846
Total fixed income securities	<u>\$ 159,504</u>	<u>\$ 166,277</u>

The following table summarizes, for all securities in an unrealized loss position at June 30, 2016 and December 31, 2015, the aggregate fair value and gross unrealized loss by length of time the amounts have continuously been in an unrealized loss position:

	June 30, 2016					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturities:						
U.S. Government and agencies	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
States, territories and possessions and political subdivisions	—	—	817	(2)	817	(2)
Corporate securities	2,504	(19)	2,638	(554)	5,142	(573)
Residential mortgage-backed securities	—	—	—	—	—	—
Commercial mortgage-backed securities	—	—	—	—	—	—
Asset backed securities	—	—	—	—	—	—
Total fixed maturities	<u>2,504</u>	<u>(19)</u>	<u>3,455</u>	<u>(556)</u>	<u>5,959</u>	<u>(575)</u>
Equity securities						
Basic materials	16	(1)	—	—	16	(1)
Communications	265	(19)	—	—	265	(19)
Consumer, cyclical	42	(3)	395	(85)	437	(88)
Consumer, non-cyclical	332	(61)	—	—	332	(61)
Energy	27	(5)	336	(395)	363	(400)
Financial	59	(6)	—	—	59	(6)
Industrial	57	(3)	165	(29)	222	(32)
Technology	676	(132)	184	(2)	860	(134)
Total Equity securities	<u>1,458</u>	<u>(229)</u>	<u>1,080</u>	<u>(511)</u>	<u>2,538</u>	<u>(740)</u>
Total investments	<u>\$ 3,962</u>	<u>\$ (248)</u>	<u>\$ 4,535</u>	<u>\$ (1,067)</u>	<u>\$ 8,497</u>	<u>\$ (1,315)</u>

**Nodak Mutual Insurance Company and Subsidiaries**

**Notes to Consolidated Financial Statements**  
**June 30, 2016 and 2015**  
**(dollars in thousands)**

**3. Investments – (continued)**

	2015					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>Fixed maturities:</b>						
U.S. Government and agencies	\$ 798	\$ (7)	\$ 485	\$ (19)	\$ 1,283	\$ (26)
States, territories and possessions and political subdivisions	2,932	(30)	244	(6)	3,176	(36)
Corporate securities	21,139	(697)	2,465	(964)	23,604	(1,661)
Residential mortgage-backed securities	10,249	(123)	—	—	10,249	(123)
Commercial mortgage-backed securities	2,571	(22)	—	—	2,571	(22)
Asset backed securities	1,976	(20)	—	—	1,976	(20)
Total fixed maturities	<u>39,665</u>	<u>(899)</u>	<u>3,194</u>	<u>(989)</u>	<u>42,859</u>	<u>(1,888)</u>
<b>Equity securities</b>						
Consumer, cyclical	343	(162)	17	(2)	360	(164)
Consumer, non-cyclical	304	(63)	—	—	304	(63)
Energy	(24)	(318)	—	—	(24)	(318)
Industrial	727	(72)	—	—	727	(72)
Technology	652	(96)	159	(2)	811	(98)
Total Equity securities	<u>2,002</u>	<u>(711)</u>	<u>176</u>	<u>(4)</u>	<u>2,178</u>	<u>(715)</u>
Total investments	<u>\$41,667</u>	<u>\$(1,610)</u>	<u>\$ 3,370</u>	<u>\$ (993)</u>	<u>\$45,037</u>	<u>\$ (2,603)</u>

We frequently review our investment portfolio for declines in fair value. Our process for identifying declines in the fair value of investments that are other than temporary involves consideration of several factors. These factors include (i) the time period in which there has been a significant decline in value, (ii) an analysis of the liquidity, business prospects and overall financial condition of the issuer, (iii) the significance of the decline and (iv) our intent and ability to hold the investment for a sufficient period of time for the value to recover. When our analysis of the above factors results in the conclusion that declines in fair values are other than temporary, the cost of the securities is written down to fair value and the previously unrealized loss is therefore reflected as a realized loss. In conjunction with our outside investment advisors, we analyzed the credit ratings of the securities as well as the historical monthly amortized cost to fair value ratio of securities in an unrealized loss position. This analysis yielded no fixed maturities which had amortized cost values less than 80% of fair value for the entire 6-month period ending June 30, 2016. Therefore, we do not consider these investments to be other-than-temporarily impaired at June 30, 2016.

**Nodak Mutual Insurance Company and Subsidiaries**

**Notes to Consolidated Financial Statements**  
**June 30, 2016 and 2015**  
(dollars in thousands)

**3. Investments – (continued)**

Net investment income consisted of the following for the periods ended June 30, 2016 and June 30, 2015:

	<u>2016</u>	<u>2015</u>
Fixed income securities	\$ 2,403	\$ 2,214
Equity securities	207	213
Real estate	342	428
Cash and cash equivalents	—	—
Total gross investment income	<u>2,952</u>	<u>2,855</u>
Investment expenses	637	769
Net investment income	<u>\$ 2,315</u>	<u>\$ 2,086</u>

<b>Components of Net Realized (Losses) Gains</b>	<u>2016</u>	<u>2015</u>
Gross realized gains	\$ 514	\$ 820
Gross realized losses	(295)	(92)
Net Realized (losses) gains	<u>\$ 219</u>	<u>\$ 728</u>

**4. Fair Value Measurements**

We maximize the use of observable inputs in our valuation techniques and apply unobservable inputs only to the extent that observable inputs are unavailable. The largest class of assets and liabilities carried at fair value by the Company at June 30, 2016 and December 31, 2015 were fixed income securities.

Prices provided by independent pricing services and independent broker quotes can vary widely, even for the same security.

Our available-for-sale investments are comprised of a variety of different securities, which are classified into levels based on the valuation technique and inputs used in their valuation. The valuation of cash equivalents and equity securities are generally based on Level 1 inputs, which use the market approach valuation technique. The valuation of fixed income securities, generally incorporate significant Level 2 inputs using the market and income approach techniques. We may assign a lower level to inputs typically considered to be Level 2 based on our assessment of liquidity and relative level of uncertainty surrounding inputs. There were no assets or liabilities classified at Level 3 at June 30, 2016 and December 31, 2015.

The following table sets forth our assets and liabilities which are measured on a recurring basis by the level within the fair value hierarchy in which fair value measurements fall as of June 30, 2016 and December 31, 2015:

	<u>Fair Value Measurement at June 30, 2016</u>			
	<u>Total</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Assets:				
Fixed income securities:				
U.S. Government and agencies	\$ 6,268	\$ —	\$ 6,268	\$ —
States, territories and possessions and political subdivisions	71,728	—	71,728	—
Corporate securities	52,435	—	52,435	—
Residential mortgage-backed securities	23,304	—	23,304	—
Commercial mortgage-backed securities	8,345	—	8,345	—
Asset backed securities	4,197	—	4,197	—
Total fixed income securities	<u>166,277</u>	<u>—</u>	<u>166,277</u>	<u>—</u>

Nodak Mutual Insurance Company and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2016 and 2015  
(dollars in thousands)

4. Fair Value Measurements – (continued)

	Fair Value Measurement at June 30, 2016			
	Total	Level I	Level II	Level III
Equity securities				
Basic materials	59	59	—	—
Communications	3,093	3,093	—	—
Consumer, cyclical	6,710	6,710	—	—
Consumer, non-cyclical	5,366	5,366	—	—
Energy	1,022	1,022	—	—
Financial	478	478	—	—
Industrial	5,218	5,218	—	—
Technology	8,231	8,231	—	—
Total Equity securities	30,177	30,177	—	—
Cash and cash equivalents	12,675	12,675	—	—
Total assets at fair value	\$ 209,129	\$ 42,852	\$ 166,277	\$ —

	Fair Value Measurement at December 31, 2015			
	Total	Level I	Level II	Level III
Assets:				
Fixed income securities:				
U.S. Government and agencies	\$ 2,060	\$ —	\$ 2,060	\$ —
States, territories and possessions and political subdivisions	71,724	—	71,724	—
Corporate securities	48,883	—	48,883	—
Residential mortgage-backed securities	21,462	—	21,462	—
Commercial mortgage-backed securities	6,414	—	6,414	—
Asset backed securities	2,900	—	2,900	—
Total fixed income securities	153,443	—	153,443	—
Equity securities				
Communications	2,842	2,842	—	—
Consumer, cyclical	7,207	7,207	—	—
Consumer, non-cyclical	4,228	4,228	—	—
Energy	791	791	—	—
Financial	473	473	—	—
Industrial	4,338	4,338	—	—
Technology	7,904	7,904	—	—
Total Equity securities	27,783	27,783	—	—
Cash and cash equivalents	14,521	14,521	—	—
Total assets at fair value	\$ 195,747	\$ 42,304	\$ 153,443	\$ —

5. Reinsurance

Nodak Mutual will assume and cede certain premiums and losses to and from various companies and associations under various reinsurance agreements. The Company seeks to limit the maximum net loss that can arise from large risks or risks in concentrated areas of exposure through use of these agreements, either on an automatic basis under general reinsurance contracts known as treaties or by negotiation on substantial individual risks.

**Nodak Mutual Insurance Company and Subsidiaries**

**Notes to Consolidated Financial Statements**

**June 30, 2016 and 2015**

**(dollars in thousands)**

**5. Reinsurance – (continued)**

Reinsurance contracts do not relieve the Company from the obligation to policyholders. Additionally, failure of reinsurers to honor their obligations could result in significant losses to us. There can be no assurance that reinsurance will continue to be available to us at the same extent, and at the same cost, as it has in the past. The Company may choose in the future to reevaluate the use of reinsurance to increase or decrease the amounts of risk ceded to reinsurers.

Nodak Mutual actively monitors and evaluates the financial condition of the reinsurers and develops estimates of the uncollectible amounts due from reinsurers. Such estimates are made based on periodic evaluation of balances due from reinsurers, judgments regarding reinsurers' solvency, known disputes, reporting characteristics of the underlying reinsured business, historical experience, current economic conditions and the state of reinsurer relations in general. Collection risk is mitigated from reinsurers by entering into reinsurance arrangements only with reinsurers that have strong credit ratings and statutory surplus above certain levels. The Company's largest reinsurance recoverables on paid and unpaid losses were due from reinsurance companies with A.M. Best ratings of A-.

**6. Income Taxes**

As of June 30, 2016 and December 31, 2015, we did not have any unrecognized tax benefits, and had no significant uncertain tax positions. No interest and penalties were recognized during the year periods ended June 30, 2016 and 2015, respectively.

**7. Contingencies**

We have been named as a defendant in various lawsuits relating to our insurance operations. Contingent liabilities arising from litigation, income taxes and other matters are not considered to be material to our financial position.

The Company does not have any unrecorded or potential contingent liabilities or material commitments requiring the use of assets as of June 30, 2016 and December 31, 2015.

**8. Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (the "FASB") issued guidance that requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. While the guidance will replace most existing GAAP revenue recognition guidance, the scope of the guidance excludes insurance contracts. The new standard is effective on January 1, 2018. The standard permits the use of either the retrospective or the cumulative effect transition method. We do not expect the adoption of this new guidance to have a significant impact on our financial position, results of operations or cash flows.

In February 2015, the FASB issued a new standard that amends the current consolidation guidance affecting both the variable interest entity ("VIE") and voting interest entity ("VOE") consolidation models. The standard does not add or remove any of the characteristics in determining if an entity is a VIE or a VOE, but rather, the standard enhances assessment of some of these characteristics. The new standard is effective on December 15, 2015. The adoption of this new guidance did not have a significant impact on our financial position, results of operations or cash flows.

In May 2015, the FASB issued guidance that removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The guidance also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The guidance instead limits disclosure to investments for which the entity has elected to measure fair value using that

**Nodak Mutual Insurance Company and Subsidiaries**

**Notes to Consolidated Financial Statements**

**June 30, 2016 and 2015**

**(dollars in thousands)**

**8. Recent Accounting Pronouncements – (continued)**

practical expedient. The guidance is effective for annual reporting periods beginning after December 15, 2015, and interim reporting periods within those annual reporting periods. The adoption of this new guidance did not have a significant impact on our financial position, results of operations or cash flows.

In May 2015, the FASB issued guidance that requires entities to provide additional disclosures about their liability for unpaid claims and claim adjustment expenses to increase the transparency of significant estimates. The guidance also requires entities to disclose information about significant changes in methodologies and assumptions used to calculate the liability for unpaid claims and claim adjustment expenses, including the reasons for the changes and the effects on the entities' financial statements, and the timing, frequency and severity of claims. The guidance also requires entities to disclose a rollforward of the liability for unpaid claims and claim adjustment expenses for annual and interim reporting periods. The guidance is effective for annual reporting periods beginning after December 15, 2015, and interim reporting periods within annual reporting periods beginning after December 15, 2016. We do not expect the adoption of this new guidance to have a significant impact on our financial position, results of operations or cash flows but changes to our disclosures will be required.

In January 2016, the FASB issued guidance that generally requires entities to measure equity investments at fair value and recognize changes in fair value in their results of operations. The guidance also simplifies the impairment assessment of equity investments, without readily determinable fair values by requiring entities to perform a qualitative assessment to identify impairment. The FASB issued other disclosure and presentation improvements related to financial instruments within the guidance. The guidance is effective for annual and interim reporting periods beginning after December 15, 2017. As a result of this guidance, we will reflect changes in the fair value of our equity investments in our results of operations beginning January 1, 2018.

In February 2016, the FASB issued guidance that requires lessees to recognize leases, including operating leases, on the lessee's balance sheet, unless a lease is considered a short-term lease. The guidance also requires entities to make new judgments to identify leases. The guidance is effective for annual and interim reporting periods beginning after December 15, 2018 and permits early adoption. We do not expect the adoption of this new guidance to have a significant impact on our financial position, results of operations or cash flows.

In June 2016, the FASB issued a new standard that will require timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The guidance will require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. Organizations will continue to use judgment to determine which loss estimation method is appropriate for their circumstances. Additionally, the guidance requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. Finally, the guidance amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The guidance is effective for fiscal years, and interim period within those fiscal years, beginning after December 15, 2019. We are evaluating the impact this new guidance will have on our financial position, results of operations, and our cash flows.

**Nodak Mutual Insurance Company and Subsidiaries****Notes to Consolidated Financial Statements****June 30, 2016 and 2015****(dollars in thousands)****9. Segment Information**

We have three insurance products, which consist of Multi-peril crop, Non-Standard Auto and Other Property and Casualty Coverages. We do not allocate assets, underwriting expenses or other income to the individual product lines and review the products in total for purposes of decision making. We operate only in the United States, and no single customer or agent provides 10 percent or more of our revenues. The table below outlines the revenue earned by insurance product as of June 30, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
<b>Revenues:</b>		
Net premiums earned		
Multi-peril Crop and Hail	7,388	3,802
Non-Standard Auto	5,309	5,676
Other Property and Casualty	54,554	49,444
GAAP Premiums Earned	<u>67,251</u>	<u>58,922</u>
Net Investment Income	2,315	2,086
Realized Investment Gains	219	728
Other revenue	812	844
Total Revenues	<u><u>70,597</u></u>	<u><u>62,580</u></u>



**NI HOLDINGS, INC.**

**UP TO 10,350,000 SHARES COMMON STOCK**

**PROSPECTUS**

**GRIFFIN FINANCIAL GROUP, LLC**

, 2016

Until , 2016, all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters.

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**PART II INFORMATION NOT REQUIRED IN PROSPECTUS****Item 13. Other Expenses of Issuance and Distribution.**

The following table sets forth the costs and expenses payable by us in connection with the registration of our common stock hereunder. All amounts are estimated, except for the SEC registration fee and the CUSIP assignment fee. We also expect to incur an estimated \$250,000 in conversion expenses, which will include legal expenses, filing fees with the North Dakota Insurance Department, and printing, postage, and mailing charges. See “The Conversion and Offering” for a description of our obligation with respect to such expenses.

SEC registration fee	\$ 11,122
CUSIP assignment, FINRA and miscellaneous fees	25,000
Printing, postage and mailing	450,000
Legal fees and expenses	400,000
Underwriting fees and expenses	1,630,000
Accounting fees and expenses	400,000
Valuation fees and expenses	300,000
Transfer and offering agent fees and expenses	50,000
Miscellaneous	113,878
<b>Total</b>	<b>\$ 3,380,000</b>

**Item 14. Indemnification of Directors and Officers.**

North Dakota law provides that a North Dakota corporation may indemnify directors, officers, employees, and agents of the corporation against liabilities they may incur in such capacities for any action taken or any failure to act, whether or not the corporation would have the power to indemnify the person under any provision of law, unless such action or failure to act is determined by a court to have constituted recklessness or willful misconduct. North Dakota law also permits the adoption of a bylaw amendment, approved by shareholders, providing for the elimination of a director’s liability for monetary damages for any action taken or any failure to take any action unless the director has breached or failed to perform the duties of his office, and the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

Our bylaws provide for (i) the indemnification of the directors, officers, employees, and agents of NI Holdings, Inc. and its subsidiaries to the fullest extent permitted by North Dakota law and (ii) the elimination of a directors’ liability for monetary damages to the fullest extent permitted by North Dakota law.

We also maintain an insurance policy insuring our directors, officers and certain other persons against liabilities and expenses incurred by any of them in certain stated proceedings and under certain stated conditions.

In the agency agreement with Griffin Financial, Griffin Financial agrees to indemnify our officers, directors and controlling persons against certain liabilities, including liabilities under the Securities Act of 1933 under certain conditions and with respect to certain limited information.

**Item 15. Recent Sales of Unregistered Securities.**

None.

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**Item 16. Exhibits and Financial Statement Schedules.**

**(a) Exhibits**

- 1.1 Form of Agency Agreement among NI Holdings, Inc., Nodak Mutual Insurance Company and Griffin Financial Group, LLC
- 2.1 Plan of Mutual Property and Casualty Insurance Company Conversion and Minority Offering of Nodak Mutual Insurance Company, dated as of January 21, 2016
- 3.1 Articles of Incorporation of NI Holdings, Inc.
- 3.2 Bylaws of NI Holdings, Inc.
- 4.1 Form of certificate evidencing shares of common stock of NI Holdings, Inc.
- 5.1 Opinion of Dorsey & Whitney regarding stock of NI Holdings, Inc. being issued\*\*
- 8.1 Opinion of Stevens & Lee regarding certain United States federal income tax issues
- 10.1 2016 Nodak Holdings, Inc. Equity Incentive Plan
- 10.2 Nodak Mutual Insurance Company Nonqualified Deferred Compensation Plan
- 10.3 Employment Agreement dated as of April 28, 2016, between Michael J. Alexander and Nodak Mutual Insurance Company and NI Holdings, Inc.
- 10.4 Employment Agreement dated as of April 28, 2016, between Brian R. Doom and Nodak Mutual Insurance Company and NI Holdings, Inc.
- 10.5 Employment Agreement dated as of April 28, 2016, between Patrick W. Duncan and Nodak Mutual Insurance Company and NI Holdings, Inc.
- 10.6 Trademark License Agreement dated as of October 1, 2015 between North Dakota Farm Bureau and Nodak Mutual Insurance Company
- 10.7 Multiple Peril Crop/Livestock Insurance Full Service Agency Agreement among American Farm Bureau Insurance Services, Inc. and Nodak Mutual Insurance Company, American West Insurance Company and Battle Creek Mutual Insurance Company for Crop Year 2016
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- 23.1 Consent of WeiserMazars LLP
- 23.2 Consent of Feldman Financial Advisors, Inc. with respect to Pro Forma Valuation Appraisal Report and Subscription Rights Valuation Report
- 23.3 Consent of Stevens & Lee (contained in Exhibit 8.1)
- 23.4 Consent of Dorsey & Whitney (contained in Exhibit 5.1)\*\*
- 24.1 Power of Attorney (contained on signature page)
- 99.1 Pro Forma Valuation Appraisal Report, dated as of April 29, 2016, prepared for Nodak Mutual Insurance Company by Feldman Financial Group LLC.
- 99.3 Subscription Rights Valuation Report dated April 29, 2016, to NI Holdings, Inc. from Feldman Financial Advisors, Inc. regarding fair market value of subscription rights
- 99.4 Stock Order Form
- 99.5 Question and Answer Brochure
- 99.6 Letters and statements to prospective purchasers of stock in offering\*\*

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99.7	Form of Escrow Agreement among NI Holdings, Inc., Griffin Financial Group, LLC and Christiana Trust, a division of Wilmington Savings Fund Society, FSB.
99.8	Form of Nodak Mutual Insurance Company member Proxy Materials

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\* Previously filed.

\*\* To be filed by amendment.

**(b) Financial Statement Schedule**

The following schedules have been filed as a part of this Registration Statement and are included in the Registrant's audited Financial Statements included in the prospectus at page F-1.

Schedule I — Summary of Investments

Schedule III — Supplemental Insurance Information

Schedule IV — Reinsurance

Schedule V — Allowance for Uncollectible Premiums and Other Receivables

Schedule VI — Supplemental Information

**Item 17. Undertakings.**

The undersigned registrant hereby undertakes:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:
  - (i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933; (ii) to reflect in the prospectus any fact or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and (iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.
- (2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the forgoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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The undersigned registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.
- (2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned registrant hereby undertakes to supplement the prospectus, after the expiration of the subscription period, to set forth the results of the subscription offer, the transactions by the underwriters during the subscription period, the amount of unsubscribed securities to be purchased by the underwriters, and the terms of any subsequent reoffering thereof. If any public offering by the underwriters is to be made on terms differing from those set forth on the cover page of the prospectus, a post-effective amendment will be filed to set forth the terms of such offering.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Fargo, State of North Dakota, on October 11, 2016.

NI Holdings, Inc.

By: /s/ Michael J. Alexander  
Michael J. Alexander, President  
and Chief Executive Officer

**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Michael J. Alexander, Brian R. Doom, Wesley R. Kelso, and Scott H. Spencer, and each of them acting individually, his true and lawful attorney-in-fact and agent, each with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement and to sign any and all registration statements relating to the same offering of securities as this Registration Statement that are filed pursuant to Rule 462(b) of the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission and any other regulatory authority, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ Michael J. Alexander*</u> Michael J. Alexander	President and Chief Executive Officer (Principal Executive Officer), Director	October 11, 2016
<u>/s/ Eric K. Aasmundstad*</u> Eric K. Aasmundstad	Director	October 11, 2016
<u>/s/ William R. Devlin*</u> William R. Devlin	Director	October 11, 2016
<u>/s/ Duaine C. Espegard*</u> Duaine C. Espegard	Director	October 11, 2016
<u>Jeffrey R. Missling</u>	Director	October , 2016
<u>Stephen V. Marlow</u>	Director	October , 2016
<u>/s/ Brian R. Doom</u> Brian R. Doom	Chief Financial Officer (Principal Financial and Accounting Officer)	October 11, 2016
<u>*By: /s/ Brian R. Doom</u> Brian R. Doom	Attorney-in-Fact	

**EXHIBIT INDEX**

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\* Previously filed.

\*\* To be filed by amendment.

NI Holdings, Inc.  
Up to 10,350,000 Shares

COMMON STOCK  
(\$0.01 Par Value)

Subscription Price \$10.00 Per Share

AGENCY AGREEMENT

[ ], 2016

Griffin Financial Group, LLC  
607 Washington Street  
Reading, Pennsylvania 19603

Ladies and Gentlemen:

NI Holdings, Inc., a North Dakota business corporation (“Holdings”), and Nodak Mutual Insurance Company, a North Dakota mutual insurance company (“Nodak Mutual” and together with Holdings, the “Nodak Parties”), hereby confirm, jointly and severally, their agreement (the “Agreement”) with Griffin Financial Group, LLC (the “Agent”), as follows:

**1. The Offering.** On January 21, 2016, the board of directors of Nodak Mutual adopted a Plan of Mutual Property and Casualty Insurance Company Conversion and Minority Offering (the “Plan”). The Plan provides for the conversion of Nodak from mutual to stock form (the “Conversion”) and the amendment and restatement of Nodak Mutual’s articles of incorporation, to, among other things change its name to Nodak Insurance Company. The Plan also provides for (a) the formation of Nodak Mutual Group, Inc., a newly-formed North Dakota nonstock corporation (“Nodak Mutual Group”), (b) the issuance of all of the outstanding common stock of Nodak Insurance Company upon completion of the Conversion to Nodak Mutual Group, (c) the formation of Holdings as an intermediate stock holding company that will own 100% of the common stock of Nodak Insurance Company, and (d) the issuance by Holdings of 55% of its outstanding common stock to Nodak Mutual Group in exchange for all of the outstanding capital stock of Nodak Insurance Company.

In connection with the Conversion, Holdings is offering up to 10,350,000 shares (the “Shares”) of its common stock, \$0.01 par value (the “Common Stock”), in (i) a subscription offering (the “Subscription Offering”), and, if necessary, (ii) a direct community offering (the “Community Offering”), and (iii) if necessary, a syndicated offering (the “Syndicated Offering”). The Subscription Offering, the Community Offering and the Syndicated Offering are herein sometimes collectively referred to as the “Offering.” The Shares will constitute 45% of the outstanding common stock of Holdings after completion of the Offering.

Holdings will issue the Shares at a purchase price of \$10.00 per share (the “Purchase Price”). If the number of Shares is increased or decreased in accordance with the Plan, the term “Shares” shall mean such greater or lesser number, where applicable.



The shares of Common Stock to be offered in the Subscription Offering will be offered pursuant to nontransferable subscription rights in the following order of priority (subject to limitations set forth in the Plan):

- eligible members of Nodak Mutual, who are the named insureds under policies of insurance issued by Nodak Mutual and in force on January 21, 2016;
- the Employee Stock Ownership Plan formed by Nodak Mutual (the “ESOP”); and
- officers, directors, and employees of Nodak Mutual.

Holdings may offer shares of Common Stock for which subscriptions have not been received in the Subscription Offering to the following categories of purchasers (listed in order of priority) in the Community Offering before offering them to the general public:

- Named insureds under policies of insurance issued by Nodak Mutual after January 21, 2016;
- Licensed insurance producers appointed by Nodak Mutual;
- Members of the North Dakota Farm Bureau that are not policyholders of Nodak Mutual;
- Residents of North Dakota;
- Licensed insurance producers appointed by Battle Creek Mutual Insurance Company (“Battle Creek”), American West Insurance Company (“American West”), or Primero Insurance Company (“Primero”); and
- Residents of South Dakota, Minnesota, Nebraska, Nevada and Arizona.

In the event a Community Offering is held, it may be held at any time during or immediately after the Subscription Offering. Depending on market conditions, shares not subscribed for in the Subscription Offering or in the Community Offering may be offered in the Syndicated Offering to selected members of the general public on a best-efforts basis through a syndicate of registered broker-dealers who are members of the Financial Industry Regulatory Authority (“FINRA”). The Syndicated Offering will be managed by the Agent.

It is acknowledged that the number of Shares to be sold in the Offering may be increased or decreased as described in the Prospectus (as hereinafter defined), that the purchase of Shares in the Offering is subject to maximum and minimum purchase limitations as described in the Prospectus, and that Holdings may reject, in whole or in part, any subscription received in the Community Offering or Syndicated Offering.

Holdings has filed with the U.S. Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-1 (File No. 337-01371) in order to register the Shares under the Securities Act of 1933, as amended (the "1933 Act"), and the regulations promulgated thereunder (the "1933 Act Regulations") and has filed such amendments thereto as have been required to the date hereof (the "Registration Statement"). The term "Registration Statement" shall include any documents incorporated by reference therein and all financial schedules and exhibits thereto, including post-effective amendments. The prospectus, as amended, included in the Registration Statement at the time it initially becomes effective is hereinafter called the "Prospectus," except that if any prospectus is filed by Holdings pursuant to Rule 424(b) or (c) of the 1933 Act Regulations differing from the prospectus included in the Registration Statement at the time it initially becomes effective, the term "Prospectus" shall refer to the prospectus filed pursuant to Rule 424(b) or (c) from and after the time such prospectus is filed with the Commission and shall include any supplements and amendments thereto from and after their dates of effectiveness or use, respectively.

Concurrently with the execution of this Agreement, Holdings is delivering to the Agent copies of the Prospectus, dated \_\_\_\_\_, 2016, of Holdings to be used in the Subscription Offering and Community Offering (if any), and, if necessary, will deliver copies of the Prospectus and any prospectus supplement for use in a Syndicated Offering as defined in the Prospectus.

In accordance with Section 26.1-12.2-02(2) of the North Dakota Century Code (the "Century Code"), Nodak Mutual has filed with the North Dakota Insurance Commissioner (the "Commissioner") an application for conversion and has filed such amendments thereto and supplementary materials as may have been required to the date hereof (such application, as amended to date, is hereinafter referred to as the "Conversion Application"), including a copy of the Proxy Statement for a Special Meeting of the voting members of Nodak Mutual relating to the Conversion (the "Proxy Statement"), the Pro Forma Valuation Report prepared by Feldman Financial, Inc. (the "Appraisal"), and the Prospectus.

**2. Appointment of the Agent.** Subject to the terms and conditions of this Agreement, the Nodak Parties hereby appoint the Agent as their exclusive financial advisor (i) to consult with and to advise and assist the Nodak Parties with respect to the sale of the Shares in the Offering, (ii) to utilize its best efforts to solicit subscriptions for the Shares and to advise and assist Holdings with respect to the sale of the Shares in the Offering, and (iii) to participate in the Offering in the areas of market making and in syndicate formation (if necessary).

On the basis of the representations, warranties, and agreements of the Nodak Parties contained in, and subject to the terms and conditions of, this Agreement, the Agent accepts such appointment and agrees to consult with and advise the Nodak Parties as to the matters set forth in the letter agreement, dated December 9, 2015, among Nodak Mutual and the Agent (the "Advisory Letter Agreement") (a copy of which is attached hereto as Exhibit A). It is acknowledged by the Nodak Parties that the Agent shall not be obligated to purchase any Shares and shall not be obligated to take any action which is inconsistent with any applicable law, regulation, decision or order. Except as provided in the last Paragraph of this Section 2 and Section 13, the appointment of the Agent hereunder shall terminate upon consummation of the Offering, but in no event later than \_\_\_\_\_ days after completion of the Subscription Offering (the "End Date"). All fees or expenses due to the Agent but unpaid will be payable to the Agent in same day funds at the earlier of the Closing Date (as hereinafter defined) or the End Date. In the event the Offering is extended beyond the End Date, the Nodak Parties and the Agent may agree to renew this Agreement under mutually acceptable terms.

If selected broker-dealers are used to assist in the sale of Shares in the Syndicated Offering, the Nodak Parties hereby, subject to the terms and conditions of this Agreement, appoint the Agent to manage such broker-dealers in the Syndicated Offering. On the basis of the representations, warranties, and agreements of the Nodak Parties contained in, and subject to the terms and conditions of, this Agreement, the Agent accepts such appointment and agrees to manage the selling group of broker-dealers in the Syndicated Offering.

**3. Refund of Purchase Price.** In the event that the Offering is not consummated for any reason, including but not limited to the inability of Holdings to sell a minimum of 7,650,000 Shares during the Offering (including any permitted extension thereof) or such other minimum number of Shares as shall be established consistent with the Plan, this Agreement shall terminate and any persons who have subscribed for or placed orders for any of the Shares shall have refunded to them the full amount that has been received from such person, without interest, as provided in the Prospectus. In the event the Offering is terminated for any reason not attributable to the action or inaction of the Agent, the Agent shall be paid the fees due to the date of such termination pursuant to Section 4(a) and (d) hereof.

**4. Fees.** In addition to the expenses specified in Section 9 hereof, as compensation for the Agent's services under this Agreement, the Agent has received or will receive the following fees from the Nodak Parties:

- (a) A retainer (the "Retainer") in the amount of \$100,000, which was already paid. The Retainer shall be credited against the Success Fee described in Section 4(b) hereof.
- (b) A success fee (the "Success Fee") of 2.0% shall be paid based on the aggregate purchase price of Shares sold in the Subscription Offering and Community Offering. The Retainer and any other amounts paid to the Agent and related persons shall be repaid to the Nodak Parties to the extent any portion thereof is not actually incurred in compliance with FINRA Rule 5110(f)(2)(C).
- (c) If any of the Shares remain available after the Subscription Offering and Community Offering, at the request of the Nodak Parties, the Agent will seek to form a group of approved registered broker-dealer firms (the "Assisting Brokers") to assist in the sale of such available Shares on a best-efforts basis, subject to the terms and conditions set forth in a selected dealers agreement to be entered into between Holdings and the Agent. Agent will endeavor to distribute the Shares among dealers in a fashion which best meets the distribution objectives of Holdings and the Plan. The Nodak Parties, in consultation with the Agent, will determine which FINRA member firms will participate in the Syndicated Offering and the extent of their participation. The Agent will be paid a fee pursuant to this Section 4(c) equal to 6.5% of the aggregate Purchase Price of the Shares sold in the Syndicated Offering. From this fee, Agent will pass onto selected broker-dealers who assist in the Syndicated Offering an amount competitive with gross underwriting discounts charged at such time for comparable amounts of stock sold at a comparable price per share in a similar market environment. Fees with respect to purchases affected with the assistance of a broker/dealer other than the Agent shall be transmitted by the Agent to such broker/dealer. The decision to utilize selected broker-dealers will be made by Agent upon consultation with the Holdings. All such fees payable under this Section 4(c) shall be in addition to all fees payable under Sections 4(a) and 4(b) and shall be paid at Closing (as defined in Section 5).

- (d) The Nodak Parties will reimburse the Agent, upon request made from time to time, for its reasonable out-of-pocket expenses incurred in connection with its conversion agent services not to exceed \$10,000 without the written approval of Nodak Mutual. Any amounts paid to the Agent and related persons shall be repaid to the Nodak Parties to the extent any portion thereof is not actually incurred in compliance with FINRA Rule 5110(f)(2)(C).

If this Agreement is terminated in accordance with the provisions of Sections 3, 10, or 14, and the sale of Shares is not consummated, the Agent shall not be entitled to receive the fees set forth in Sections 4(b) and(c), and the Agent will return to the Nodak Parties any amounts advanced to the Agent to the extent not actually incurred by the Agent in accordance with FINRA Rule 5110(f)(2)(C). Any amount paid pursuant to Section 4(a) above shall be applied to any fees due upon termination.

**5. Closing.** If the minimum number of Shares required to be sold in the Offering pursuant to the Plan are subscribed for or ordered at or before the termination of the Offering, and the other conditions to the completion of the Offering are satisfied, Holdings agrees to issue the Shares at the Closing Time (as hereinafter defined) against payment therefor by the means authorized by the Plan; *provided, however*, that no funds shall be released to Holdings until the conditions specified in Section 10 hereof have been complied with to the reasonable satisfaction of the Agent. Holdings shall deliver written notice of the issuance of the Shares in accordance with Section 10-19.1-66 of the Century Code in such authorized denominations and registered in such names as may be indicated on the subscription order forms directly to the purchasers thereof as promptly as practicable after the Closing Time. The Closing (the "Closing") shall be held at the offices of Stevens & Lee, PC, 620 Freedom Business Center, King of Prussia, Pennsylvania, or at such other place as shall be agreed upon among the Nodak Parties and the Agent, at 9:00 a.m., Central Time, on the business day selected by Holdings (the "Closing Date"), which business day shall be no less than two business days following the giving of prior notice by Holdings to the Agent or at such other time as shall be agreed upon by Holdings and the Agent. At the Closing, Holdings shall deliver to the Agent by wire transfer in same-day funds the commissions, fees and expenses owing as set forth in Sections 4 and 9 hereof and the opinions and other documents required hereby shall be executed and delivered to effect the sale of the Shares as contemplated hereby and pursuant to the terms of the Prospectus; *provided, however*, that all out-of-pocket expenses to which the Agent is entitled under Section 9 hereof shall be due and payable upon receipt by Holdings of a written accounting therefor setting forth in reasonable detail the expenses incurred by the Agent. The hour and date upon which Holdings shall release the Shares for delivery in accordance with the terms hereof is referred to herein as the "Closing Time."

The Agent shall have no liability to any party for the records or other information provided by the Nodak Parties (or their agents) to the Agent for use in allocating the Shares. Subject to the limitations of Section 11 hereof, the Nodak Parties shall indemnify and hold harmless the Agent for any liability arising out of the allocation of the Shares in accordance with (i) the Plan generally, and (ii) the records or other information provided to the Agent by the Nodak Parties (or their respective agents).

**6. Representations and Warranties of the Nodak Parties.** The Nodak Parties jointly and severally represent and warrant to the Agent that, except as disclosed in the Prospectus:

- (a) Each of the Nodak Parties has and, as of the Closing Time, will have all such power, authority, authorizations, approvals and orders as may be required to enter into this Agreement, to carry out the provisions and conditions hereof and to issue and sell the Shares as provided herein and as described in the Prospectus. Subject to the receipt of regulatory approval, the execution, delivery and performance of this Agreement and the Advisory Letter Agreement and the consummation of the transactions herein contemplated have been duly and validly authorized by all necessary corporate action on the part of each of the Nodak Parties that is a party thereto. This Agreement has been validly executed and delivered by each of the Nodak Parties and is a valid, legal and binding obligation of each of the Nodak Parties, enforceable in accordance with its terms, except as the legality, validity, binding nature and enforceability thereof may be limited by (i) bankruptcy, insolvency, moratorium, conservatorship, receivership or other similar laws relating to or affecting the enforcement of creditors' rights generally; (ii) general equity principles regardless of whether such enforceability is considered in a proceeding in equity or at law; and (iii) the extent, if any, that the provisions of Sections 11 or 12 hereof may be unenforceable as against public policy.
- (b) The Registration Statement, which was prepared by the Nodak Parties and filed with the Commission, was declared effective by the Commission on \_\_\_\_\_, 2016, and no stop order has been issued with respect thereto and no proceedings therefor have been initiated or, to the knowledge of the Nodak Parties, threatened by the Commission. At the time the Registration Statement, including the Prospectus contained therein (including any amendment or supplement), became effective, at the Applicable Time (as defined in Section 6(d) hereof) and at the Closing Date, the Registration Statement (including the Prospectus contained therein) complied and will comply in all material respects with the 1933 Act and the 1933 Act Regulations, and the Registration Statement, including the Prospectus contained therein (including any amendment or supplement), and any information regarding the Nodak Parties contained in any Sales Information (as defined in Section 11(a) hereof) authorized by the Nodak Parties for use in connection with the Offering, (i) contained and will contain all statements required to be included therein in accordance with the 1933 Act and the 1933 Act Regulations, and (ii) did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. At the time any Rule 424(b) or (c) Prospectus was or is filed with the Commission and at the Closing Time referred to in Section 5, the Registration Statement, including the Prospectus contained therein (including any amendment or supplement thereto), and any state securities law application or any Sales Information authorized by the Nodak Parties for use in connection with the Offering did not and will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided, however*, that the representations and warranties in this Section 6(b) shall not apply to statements or omissions made in reliance upon and in conformity with written information furnished to the Nodak Parties by the Agent regarding the Agent or the method of conducting the Offering expressly for use in the Registration Statement or Prospectus, which the parties hereto agree is limited to the information contained in the first three paragraphs under the caption "The Conversion and the Offering—Marketing and Underwriting Arrangements."

- (c) At the time of filing of the Registration Statement and at the date hereof, Holdings was not, and is not, an ineligible issuer, as defined in Rule 405. At the time of the filing of the Registration Statement and at the time of the use of any Issuer Free Writing Prospectus, as defined in Rule 433(h), Holdings met the conditions required by Rules 164 and 433 for the use of a free writing prospectus. If required to be filed, Holdings has filed any Issuer Free Writing Prospectus related to the offered Shares at the time it is required to be filed under Rule 433 and, if not required to be filed, will retain such free writing prospectus in Holdings' records pursuant to Rule 433(g), and if any Issuer Free Writing Prospectus is used after the date hereof in connection with the offering of the Shares, Holdings will file or retain such free writing prospectus as required by Rule 433.
- (d) As of the Applicable Time (as hereinafter defined), neither (i) the Issuer General Free Writing Prospectus(es) issued at or prior to the Applicable Time and the Statutory Prospectus, all considered together (collectively, the "General Disclosure Package"), nor (ii) any individual Issuer Limited-Use Free Writing Prospectus, when considered together with the General Disclosure Package, included any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The preceding sentence does not apply to statements in or omissions from any Prospectus included in the Registration Statement relating to the offered Shares or any Issuer Free Writing Prospectus based upon and in conformity with written information furnished to any of the Nodak Parties by the Agent specifically for use therein. As used in this Paragraph and elsewhere in this Agreement:
- (i) "Applicable Time" means each and every date when a potential purchaser submitted a subscription or otherwise committed to purchase Shares.
- (ii) "Statutory Prospectus" as of any time, means the Prospectus relating to the offered Shares that is included in the Registration Statement relating to the offered Shares immediately prior to the Applicable Time, including any document incorporated by reference therein.

- (iii) "Issuer Free Writing Prospectus" means any "issuer free writing prospectus," as defined in Rule 433(h), relating to the offered Shares that is filed or is required to be filed with the Commission by Holdings, or, if not required to be filed with the Commission, that is retained in Holdings' records pursuant to Rule 433(g). The term does not include any writing exempted from the definition of prospectus pursuant to clause (g) of Section 2(a)(10) of the 1933 Act, without regard to Rule 172 or Rule 173 under the 1933 Act Regulations.
- (iv) "Issuer General Free Writing Prospectus" means any Issuer Free Writing Prospectus that is intended for general distribution to prospective investors.
- (v) "Issuer Limited-Use Free Writing Prospectus" means any Issuer Free Writing Prospectus that is not an Issuer General Free Writing Prospectus. The term Issuer Limited-Use Free Writing Prospectus also includes any "bona fide electronic road show," as defined in Rule 433 under the 1933 Act Regulations, that is made available without restriction pursuant to Rule 433(d)(8)(ii) under the 1933 Act Regulations or otherwise, even though not required to be filed with the Commission.
- (vi) "Permitted Free Writing Prospectus" means any free writing prospectus as defined in Rule 405 of the 1933 Act Regulations that is consented to by Holdings and the Agent.
- (e) None of the Nodak Parties has directly or indirectly distributed or otherwise used and will not directly or indirectly distribute or otherwise use any prospectus, any "free writing prospectus" (as defined in Rule 405 of the 1933 Act Regulations) or other offering material (including, without limitation, content on Holdings' website that may be deemed to be a prospectus, free writing prospectus or other offering material) in connection with the offering and sale of the Shares other than any Permitted Free Writing Prospectus or the Prospectus or other materials permitted by the 1933 Act and the 1933 Act Regulations distributed by Holdings and reviewed and approved in advance for distribution by the Agent. Holdings has not, directly or indirectly, prepared or used and will not directly or indirectly, prepare or use, any Permitted Free Writing Prospectus except in compliance with the filing and other requirements of Rules 164 and 433 of the 1933 Act Regulations; assuming that such Permitted Free Writing Prospectus is so sent or given after the Registration Statement was filed with the Commission (and after such Permitted Free Writing Prospectus was, if required pursuant to Rule 433(d) under the Act, filed with the Commission), the sending or giving, by the Agent, of any Permitted Free Writing Prospectus will satisfy the provisions of Rules 164 and 433 (without reliance on subsections (b), (c) and (d) for Rule 164).

- (f) Each Issuer Free Writing Prospectus, as of its date of first use and at all subsequent times through the completion of the Offering and sale of the offered Shares or until any earlier date that Holdings notified or notifies the Agent (as described in the next sentence), did not, does not and will not include any information that conflicted, conflicts or will conflict with the information contained in the Registration Statement, including any document incorporated by reference therein that has not been superseded or modified. If at any time following the date of first use of an Issuer Free Writing Prospectus there occurred or occurs an event or development as a result of which such Issuer Free Writing Prospectus conflicted or would conflict with the information contained in the Registration Statement relating to the offered Shares or included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at that subsequent time, not misleading, Holdings has notified or will notify promptly the Agent so that any use of such Issuer Free-Writing Prospectus may cease until it is amended or supplemented, and Holdings has promptly amended or will promptly amend or supplement such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission. The foregoing two sentences do not apply to statements in or omissions from any Issuer Free Writing Prospectus based upon and in conformity with written information furnished to any of the Nodak Parties by the Agent specifically for use therein.
- (g) Holdings will promptly file the Prospectus and any supplemental sales literature with the Commission. The Prospectus and all supplemental sales literature, as of the date the Registration Statement became effective and at the Closing Time referred to in Section 5, will have received all required authorizations for use in final form.
- (h) The Conversion Application, which was prepared by the Nodak Parties and filed with the Commissioner, has been approved by the Commissioner and the related Prospectus and Proxy Statement to be delivered to eligible voters of Nodak Mutual have been authorized for use by the Commissioner. The Conversion Application complies in all material respects with Section 26.1-12.2-01 through Section 26.1-12.2-19 of the Century Code (the "Conversion Act"), except to the extent waived in writing by the Commissioner, and did not and does not include any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.
- (i) No order has been issued by the North Dakota Insurance Department (the "Department"), the Commission, or any other state or federal regulatory authority, preventing or suspending the use of the Registration Statement, the Prospectus, the Proxy Statement or any supplemental sales literature, and no action by or before any such government entity to revoke any approval, authorization or order of effectiveness related to the Offering is pending or, to the knowledge of the Nodak Parties, threatened.



- (j) The Plan has been duly adopted by the Board of Directors of Nodak Mutual, and the offer and sale of the Shares will have been conducted in all material respects in accordance with the Plan, the Century Code (except to the extent waived or otherwise approved by the Commissioner), and all other applicable laws, regulations, decisions and orders, including all terms, conditions, requirements and provisions precedent to the Offering imposed upon the Nodak Parties by the Commissioner or the Commission and in the manner described in the Prospectus. To the knowledge of the Nodak Parties, no person has, or at the Closing Time will have, sought to obtain review of the final action of any state or federal regulatory authority with respect to the Plan or the Offering.
- (k) Feldman Financial, Inc., which prepared the Appraisal in connection with the Offering, has advised the Nodak Parties in writing that it is independent with respect to each of the Nodak Parties. The Nodak Parties believe that Feldman Financial, Inc. is an expert in preparing appraisals of insurance companies.
- (l) WeiserMazars, LLP, which certified the financial statements included in the Registration Statement, has advised the Nodak Parties that it is an independent registered public accounting firm within the meaning of the Code of Ethics of the American Institute of Certified Public Accountants (the "AICPA"), that it is registered with the Public Company Accounting Oversight Board ("PCAOB"), and that it is, with respect to each of the Nodak Parties, an independent certified public accountant within the meaning of, and is not in violation of the auditor independence requirements of the 1933 Act, the 1933 Act Regulations, the regulations of the PCAOB and the Sarbanes Oxley Act of 2002 (the "Sarbanes-Oxley Act").
- (m) The consolidated financial statements, schedules and notes thereto which are included in the Registration Statement and which are a part of the Prospectus present fairly the financial condition and retained earnings of Nodak Mutual and its subsidiaries as of the dates indicated and the results of operations and cash flows for the periods specified. The financial statements comply in all material respects with the applicable accounting requirements of the 1933 Act Regulations, Regulation S-X of the Commission, and accounting principles generally accepted in the United States of America ("GAAP") applied on a consistent basis during the periods presented except as otherwise noted therein, and present fairly in all material respects the information required to be stated therein. The other financial, statistical and pro forma information and related notes included in the Prospectus present fairly the information shown therein on a basis consistent with the audited and unaudited financial statements included in the Prospectus, and as to the pro forma adjustments, the adjustments made therein have been properly applied on the basis described therein.
- (n) Since the respective dates as of which information is given in the Registration Statement, including the Prospectus, other than disclosed therein: (i) there has not been any material adverse change in the financial condition or in the earnings, capital, properties, business affairs or prospects of any of the Nodak Parties or of the Nodak Parties taken as a whole, whether or not arising in the ordinary course of business ("Material Adverse Effect"); (ii) there has not been any material change in total assets of the Nodak Parties, nor have any of the Nodak Parties issued any securities or incurred any liability or obligation for borrowings other than in the ordinary course of business; and (iii) there have not been any material transactions entered into by any of the Nodak Parties, other than those in the ordinary course of business. The capitalization, liabilities, assets, properties and business of the Nodak Parties conform in all material respects to the descriptions thereof contained in the Prospectus, and none of the Nodak Parties has any material liabilities of any kind, contingent or otherwise, except as disclosed in the Registration Statement or the Prospectus.

- (o) Holdings is a corporation duly incorporated and validly existing under the laws of the State of North Dakota, with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus, and is, and as of the Closing Date will be, qualified to transact business and in good standing in each jurisdiction in which the conduct of its business requires such qualification unless the failure to qualify in one or more of such jurisdictions would not have a Material Adverse Effect. As of the Closing Time, Holdings will be in good standing under the laws of North Dakota and will have obtained all licenses, permits and other governmental authorizations required for the conduct of its business, except those that individually or in the aggregate would not have a Material Adverse Effect; and all such licenses, permits and governmental authorizations are in full force and effect, and Holdings is, and as of the Closing Date will be, in compliance therewith in all material respects. There are no outstanding options, warrants or other rights to purchase any securities of Holdings or any of the Nodak Parties except as disclosed in the Prospectus.
- (p) Nodak Mutual is a mutual insurance company organized under the laws of the State of North Dakota and validly existing under the laws of the State of North Dakota, with power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus, and is, and as of the Closing Date will be, qualified to transact business and in good standing in each jurisdiction in which the conduct of its business requires such qualification unless the failure to qualify in one or more of such jurisdictions would not have a Material Adverse Effect. As of the Closing Time, Nodak Mutual will be in good standing under the laws of the State of North Dakota and will have obtained all licenses, permits and other governmental authorizations required for the conduct of its business, except those that individually or in the aggregate would not have a Material Adverse Effect; and all such licenses, permits and governmental authorizations are in full force and effect, and Nodak Mutual is, and at the Closing Date will be, in compliance therewith in all material respects. Nodak Mutual directly owns all of the outstanding equity interests of American West and Tri-State Ltd. ("Tri-State") free and clear of any mortgage, pledge, lien, encumbrance, claim or restriction. Tri-State directly owns all of the outstanding equity interests of Primero free and clear of any mortgage, pledge, lien, encumbrance, claim or restriction. There are no outstanding options, warrants, or other rights to purchase any equity interests of American West, Tri-State or Primero or any securities convertible into or exchangeable for any equity interests of American West, Tri-State or Primero.

- (q) Nodak Mutual Group is a duly incorporated under the laws of the State of North Dakota and validly existing with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus; Nodak Mutual Group has obtained all licenses, permits and other governmental authorizations currently required for the conduct of its business except those that individually or in the aggregate would not have a Material Adverse Effect; all such licenses, permits and other governmental authorizations are and, as of the Closing Time will be, in full force and effect and Nodak Mutual Group is and, as of the Closing Time will be, in good standing under the laws of the State of North Dakota.
- (r) The authorized capital stock of Holdings consists of 25,000,000 shares of Common Stock, \$0.01 par value per share, and 5,000,000 shares of preferred stock, no par value. Upon consummation of the Offering, the issued and outstanding Common Stock of Holdings will be within the range set forth in the Prospectus under the caption "Capitalization" (except for subsequent issuances, if any, pursuant to reservations, agreements or employee benefit plans referred to in the Prospectus); and the shares of Common Stock to be subscribed for in the Offering have been duly and validly authorized for issuance and, when issued and delivered by Holdings pursuant to the Plan against payment of the consideration calculated as set forth in the Plan and the Prospectus, will be duly and validly issued and fully paid and nonassessable; the issuance of the Shares is not subject to preemptive rights, except for the Subscription Rights granted pursuant to the Plan; and the terms and provisions of the Shares will conform in all material respects to the description thereof contained in the Prospectus. Upon issuance of the Shares, good title to the Shares will be transferred from Holdings to the purchasers of Shares against payment therefor in the Offering as set forth in the Plan and the Prospectus. No holder of Shares will be subject to personal liability by reason of being such a holder.
- (s) Upon consummation of the Conversion, the authorized capital stock of Nodak Mutual Insurance Company will be 1,000,000 shares of common stock, par value \$5.00 per share (the "Nodak Insurance Company Common Stock"), and no shares of Nodak Insurance Company Common Stock have been or will be issued prior to the Closing Time. The shares of Nodak Insurance Company Common Stock to be issued to Nodak Mutual Group will have been duly authorized for issuance and, when issued and delivered by Nodak Insurance Company, will be duly and validly issued and fully paid and nonassessable, and all such Nodak Insurance Company Common Stock will be owned beneficially and of record by Holdings, free and clear of any security interest, mortgage, pledge, lien, encumbrance or legal or equitable claim; the certificates representing the shares of Nodak Insurance Company Common Stock will conform with the requirements of applicable laws and regulations.

- (t) None of the Nodak Parties is and, as of the Closing Time, none of the Nodak Parties will be, in violation of its respective declaration of organization, charter, certificate or articles of incorporation, certificate of organization, operating agreement or bylaws (collectively, the “Organizational Documents”), or in material default in the performance or observance of any obligation, agreement, covenant, or condition contained in any contract, lease, loan agreement, indenture or other instrument to which any of them is a party or by which any of them, or any of their respective properties, may be bound which would result in a Material Adverse Effect. The consummation of the transactions herein contemplated will not (i) conflict with or constitute a breach of, or default under, the Organizational Documents of any of the Nodak Parties, or materially conflict with or constitute a material breach of, or default under, any material contract, lease or other instrument to which any of the Nodak Parties is a party or bound, or any applicable law, rule, regulation or order that is material to the financial condition of the Nodak Parties, on a consolidated basis; (ii) violate any authorization, approval, judgment, decree, order, statute, rule or regulation applicable to the Nodak Parties except for such violations which would not have a Material Adverse Effect; or (iii) result in the creation of any material lien, charge or encumbrance upon any property of any of the Nodak Parties.
- (u) No default exists, and no event has occurred which with notice or lapse of time, or both, would constitute a material default on the part of any of the Nodak Parties, in the due performance and observance of any term, covenant or condition of any indenture, mortgage, deed of trust, note, bank loan or credit agreement or any other material instrument or agreement to which any of the Nodak Parties is a party or by which any of them or any of their property is bound or affected in any respect which, in any such case, is material to the Nodak Parties individually or considered as one enterprise, and such agreements are in full force and effect; and no other party to any such agreements has instituted or, to the knowledge of the Nodak Parties, threatened any action or proceeding wherein any of the Nodak Parties is alleged to be in default thereunder under circumstances where such action or proceeding, if determined adversely to any of the Nodak Parties, would have a Material Adverse Effect.
- (v) The Nodak Parties have good and marketable title to all assets which are material to the businesses of the Nodak Parties and to those assets described in the Prospectus as owned by them, free and clear of all material liens, charges, encumbrances, restrictions or other claims, except such as are described in the Prospectus or which do not have a Material Adverse Effect, and all of the leases and subleases which are material to the businesses of the Nodak Parties, as described in the Registration Statement or Prospectus, are in full force and effect.
- (w) The Nodak Parties are not in material violation of any directive from the Department, the Commission, or any other agency to make any material change in the method of conducting their respective businesses; the Nodak Parties have conducted and are conducting their respective businesses so as to comply in all respects with all applicable statutes and regulations (including, without limitation, regulations, decisions, directives and orders of the Department and the Commission), except where the failure to so comply would not reasonably be expected to result in any Material Adverse Effect, and there is no charge, investigation, action, suit or proceeding before or by any court, regulatory authority or governmental agency or body pending or, to the knowledge of any of the Nodak Parties, threatened, which would reasonably be expected to materially and adversely affect the Offering, the performance of this Agreement, or the consummation of the transactions contemplated in the Plan as described in the Registration Statement, or which would reasonably be expected to result in a Material Adverse Effect.

- (x) The Nodak Parties have received an opinion of their counsel, Dorsey & Whitney, LLP, with respect to the legality of the Shares and an opinion of Stevens & Lee, P.C. with respect to the federal income tax consequences of the Conversion and the Offering, as described in the Registration Statement and the Prospectus, and the facts and representations upon which such opinions are based are truthful, accurate and complete, and none of the Nodak Parties will take any action inconsistent therewith. All material aspects of the aforesaid opinions are accurately summarized in the Prospectus. None of the Nodak Parties has taken or will take any action inconsistent with such opinions.
- (y) The Nodak Parties have timely filed all required federal and state tax returns, have paid all taxes that have become due and payable in respect of such returns, except where permitted to be extended, have made adequate reserves for similar future tax liabilities, and no deficiency has been asserted with respect thereto by any taxing authority.
- (z) No approval, authorization, consent or other order of any regulatory or supervisory or other public authority is required for the execution and delivery by the Nodak Parties of this Agreement and the issuance of the Shares, except (i) for the approval of the Commissioner (which will have been received as of the Closing Time), (ii) the non-objection of FINRA, and (iii) any necessary qualification, notification, or registration or exemption under the securities or blue sky laws of the various states in which the Shares are to be offered for sale.
- (aa) None of the Nodak Parties has: (i) issued any securities within the last 18 months (except for notes to evidence bank loans or other liabilities in the ordinary course of business or as described in the Prospectus); (ii) had any dealings with respect to sales of securities within the 18 months prior to the date hereof with any member of FINRA except the Agent, or any person related to or associated with such member, other than discussions and meetings relating to the Offering and purchases and sales of U.S. government and agency and other securities in the ordinary course of business; (iii) entered into a financial or management consulting agreement except for the Advisory Letter Agreement and as contemplated hereunder; or (iv) engaged any intermediary between the Agent and the Nodak Parties in connection with the Offering, and no person is being compensated in any manner for such services.

- (bb) None of the Nodak Parties nor, to the knowledge of the Nodak Parties, any employee of the Nodak Parties, has made any payment of funds of the Nodak Parties as a loan to any person for the purchase of Shares or has made any other payment of funds prohibited by law, and no funds have been set aside to be used for any payment prohibited by law.
- (cc) The Nodak Parties and their respective subsidiaries comply in all material respects with any applicable financial record keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, and the regulations and rules thereunder. The Nodak Parties have established compliance programs and are in compliance in all material respects with the requirements of the USA PATRIOT Act and all applicable regulations promulgated thereunder, and there is no charge, investigation, action, suit or proceeding before any court, regulatory authority or governmental entity or body pending or, to the knowledge of the Nodak Parties, threatened regarding compliance by the Nodak Parties with the USA PATRIOT Act or any regulations promulgated thereunder.
- (dd) The membership records of Nodak Mutual, including, without limitation, as to Eligible Members, are accurate and complete in all material respects.
- (ee) The Nodak Parties comply in all material respects with all laws, rules and regulations relating to environmental protection, and none of them has been notified or is otherwise aware that any of them is potentially liable, or is considered potentially liable, under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or any other federal, state or local environmental laws and regulations; no action, suit, regulatory investigation or other proceeding is pending or, to the knowledge of the Nodak Parties, threatened against the Nodak Parties relating to environmental protection, nor do the Nodak Parties have any reason to believe any such proceedings may be brought against any of them; and no disposal, release or discharge of hazardous or toxic substances, pollutants or contaminants, including petroleum and gas products, as any of such terms may be defined under federal, state or local law, has occurred on, in, at or about any facilities or properties owned or leased by any of the Nodak Parties.

- (ff) None of the Nodak Parties maintains any “pension plan,” as defined in the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). In addition, (A) the employee benefit plans, including employee welfare benefit plans, of the Nodak Parties (the “Employee Plans”) have been operated in compliance with the applicable provisions of ERISA, the Internal Revenue Code of 1986, as amended (the “Code”), all regulations, rulings and announcements promulgated or issued thereunder and all other applicable laws and governmental regulations, (B) no reportable event under Section 4043(c) of ERISA has occurred with respect to any Employee Plan of the Nodak Parties for which the reporting requirements have not been waived, (C) no prohibited transaction under Section 406 of ERISA, for which an exemption does not apply, has occurred with respect to any Employee Plan of the Nodak Parties and (D) all Employee Plans that are group health plans have been operated in compliance with the group health plan continuation coverage requirements of Section 4980B of the Code, except to the extent such noncompliance, reportable event or prohibited transaction would not have, individually or in the aggregate, a Material Adverse Effect. There are no pending or, to the knowledge of the Nodak Parties, threatened, claims by or on behalf of any Employee Plan, by any employee or beneficiary covered under any such Employee Plan or by any governmental authority, or otherwise involving such Employee Plans or any of their respective fiduciaries (other than for routine claims for benefits). Each of the Nodak Parties has fulfilled, in all material respects, its obligations, if any, under the minimum funding standards of Section 302 of the United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the regulations promulgated thereunder with respect to any “plan” (as defined in Section 3(3) of ERISA and the regulations thereunder), which is maintained by any of the Nodak Parties for their employees, and any such plan is in compliance in all material respects with the presently applicable provisions of ERISA and the regulations thereunder. None of the Nodak Parties has incurred any unpaid liability under Title IV of ERISA to the Pension Benefit Guaranty Corporation (other than for the payment of premiums in the ordinary course) or to any such plan.
- (gg) Holdings has applied for approval, subject to completion of the Offering, to have the Shares listed on the NASDAQ Capital Market effective as of the Closing Time.
- (hh) Except as disclosed in the Prospectus, all material reinsurance treaties or agreements to which Nodak Mutual is a party or is a named reinsured are in full force and effect. To the knowledge of Nodak Mutual, neither Nodak Mutual nor any other party thereto, is in default under any such agreement, and no party may terminate any such agreement by reason of the transactions contemplated by the Plan.
- (ii) Holdings has filed a registration statement on Form 8-A to register the Common Stock under Section 12(g) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and pursuant to Form 8-A such registration statement shall be effective concurrent with the effectiveness of the Registration Statement.
- (jj) There is no contract or other document of a character required to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement which is not described or filed as required.

- (kk) The Nodak Parties maintain a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets, (iii) access to cash and other liquid assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded ledger assets are compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The books, records and accounts and systems of internal accounting control of Nodak Mutual and its subsidiaries comply in all material respects with the requirements of Section 13(b)(2) of the Securities Exchange Act of 1934, as amended (the "1934 Act"). Holdings has established and maintains "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the 1934 Act) that are effective in ensuring that the information it will be required to disclose in the reports it files or submits under the 1934 Act is accumulated and communicated to Holdings' management (including Holdings' chief executive officer and chief financial officer) in a timely manner and recorded, processed, summarized and reported within the periods specified in the Commission's rules and forms. To the knowledge of the Nodak Parties, WeiserMazars LLP and the Audit Committee of the Board of Directors have been advised of: (A) any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which could adversely affect Holdings' ability to record, process, summarize, and report financial data; and (B) any fraud, whether or not material, that involves management or other employees who have a significant role in the internal accounting controls of Nodak Mutual and its subsidiaries.
- (ll) Except as described in the Prospectus, (i) there are no contractual encumbrances or contractual restrictions or regulatory restrictions on the ability of any of the Nodak Parties to pay dividends or make any other distributions on its capital stock, and (ii) there are no contractual encumbrances or contractual restrictions on the ability of the Nodak Parties (A) to pay any indebtedness owed to any of the Nodak Parties or (B) to make any loans or advances to, or investments in, any of the Nodak Parties, or (C) to transfer any of its property or assets to any of the Nodak Parties.
- (mm) None of the Nodak Parties is required to be registered as an "investment company" under the Investment Company Act of 1940, as amended, or as an "investment advisor" under the Investment Advisor Act of 1940, as amended.
- (nn) The Nodak Parties have taken all actions necessary to obtain at the Closing Time a blue sky memorandum from Stevens & Lee, PC.
- (oo) The Nodak Parties carry, or are covered by, insurance in such amounts and covering such risks as the Nodak Parties deem reasonably adequate for the conduct of their respective businesses and the value of their respective properties.
- (pp) The Nodak Parties have not relied upon the Agent for any legal, tax or accounting advice in connection with the Conversion.
- (qq) The statistical and market related data contained in any Permitted Free Writing Prospectus, the Prospectus and the Registration Statement are based on or derived from sources which the Nodak Parties believe were reliable and accurate at the time they were filed with the Commission. No forward-looking statement (within the meaning of Section 27A of the 1933 Act and Section 21E of the 1934 Act) contained in the Registration Statement, the Prospectus, or any Permitted Free Writing Prospectus has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith.



- (rr) None of the Nodak Parties, or any of their subsidiaries nor, to the knowledge of the Nodak Parties, any other person associated with or acting on behalf of and of the Nodak Parties or any of their subsidiaries has violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder.
- (ss) There are no persons with registration rights or other similar rights to have any securities of Holdings registered for sale under the 1933 Act or otherwise registered for sale or sold by Holdings under the 1933 Act.
- (tt) There are no contracts or documents which are required to be described in the Registration Statement, the General Disclosure Package or the Prospectus or to be filed as exhibits to the Registration Statement that have not been so described or filed as required.
- (uu) The Nodak Parties and their subsidiaries own or possess all material patents, copyrights, trademarks, service marks, inventions, trade names or other intellectual property (collectively, "Intellectual Property"), or have valid licenses to use such Intellectual Property necessary to carry on the business now operated by them, except where the failure to own or have the right to use such Intellectual Property, singularly or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. None of the Nodak Parties nor any of their subsidiaries has received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property.
- (vv) None of the Nodak Parties nor any of their subsidiaries or, to the knowledge of the Nodak Parties, any director, officer, or employee of any of them is an individual or entity currently the subject or target of any sanctions administered or enforced by the United States Government, including without limitation the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC").

Any certificates signed by an officer of any of the Nodak Parties and delivered to the Agent or its counsel that refer to this Agreement shall be deemed to be a representation and warranty by the Nodak Parties to the Agent as to the matters covered thereby with the same effect as if such representation and warranty were set forth herein.

**7. Representations and Warranties of the Agent.** The Agent represents and warrants to the Nodak Parties that:

- (a) The Agent is a limited liability company and is validly existing in good standing under the laws of the Commonwealth of Pennsylvania, with full power and authority to provide the services to be furnished to the Nodak Parties hereunder.

- (b) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary action on the part of the Agent, and this Agreement and the Advisory Letter Agreement are the legal, valid and binding agreement of the Agent, enforceable in accordance with their terms except as the legality, validity, binding nature and enforceability thereof may be limited by (i) bankruptcy, insolvency, moratorium, conservatorship, receivership or other similar laws relating to or affecting the enforcement of creditors' rights generally; (ii) general equity principles regardless of whether such enforceability is considered in a proceeding in equity or at law; and (iii) the extent, if any, that the provisions of Sections 11 or 12 hereof may be unenforceable as against public policy.
- (c) Each of the Agent and its employees, agents and representatives who shall perform any of the services hereunder has, and until the Offering is completed or terminated shall maintain, all licenses, approvals and permits necessary to perform such services.
- (d) No action, suit, charge or proceeding before the Commission, FINRA, any state securities commission or any court is pending, or to the knowledge of Agent threatened, against the Agent which, if determined adversely to Agent, would have a material adverse effect upon the ability of the Agent to perform its obligations under this Agreement.
- (e) The Agent is registered as a broker/dealer pursuant to Section 15(b) of the 1934 Act and is a member of FINRA.
- (f) Any funds received in the Offering by the Agent from prospective purchasers of the Shares shall be delivered by the Agent to Christiana Trust, as escrow agent (the "Escrow Agent") for deposit in the escrow account established under the Escrow Agreement dated \_\_\_\_\_, 2016, by and among Nodak Mutual, Holdings, the Agent, and the Escrow Agent (the "Escrow Agreement"), by noon of the next business day after receipt by the Agent, together with a written account of each purchaser which sets forth, among other things, the name and address of the purchaser, the number of Shares purchased and the amount paid therefor. Any checks received by the Agent that are made payable to any party other than the Escrow Agent shall be returned to the purchaser who submitted the check and shall not be accepted. The Agent shall require any selected dealers agreements with Assisting Brokers to include provisions requiring such Assisting Brokers to comply with Rule 15c2-4 under the 1934 Act.

**8. Covenants of the Nodak Parties.** The Nodak Parties hereby jointly and severally covenant with the Agent as follows:

- (a) Holdings will not, at any time after the date the Registration Statement is declared effective, file any amendment or supplement to the Registration Statement without providing the Agent and its counsel an opportunity to review such amendment or supplement or, except as may be required by law, file any amendment or supplement to which the Agent shall reasonably object. Holdings will furnish promptly to the Agent and its counsel copies of all correspondence from the Commission with respect to the Registration Statement and Holdings' responses thereto.

- (b) Holdings represents and agrees that, unless it obtains the prior consent of the Agent, and the Agent represents and agrees that, unless it obtains the prior consent of Holdings, it has not made and will not make any offer relating to the offered Shares that would constitute an “issuer free writing prospectus,” as defined in Rule 433, or that would constitute a “free writing prospectus,” as defined in Rule 405, required to be filed with the Commission. Any such free writing prospectus consented to by Holdings and the Agent is hereinafter referred to as a “Permitted Free Writing Prospectus.” Holdings represents that it has treated or agrees that it will treat each Permitted Free Writing Prospectus as an “issuer free writing prospectus,” as defined in Rule 433, and has complied and will comply with the requirements of Rule 433 applicable to any Permitted Free Writing Prospectus, including timely Commission filing where required, legending and record keeping. Holdings need not treat any communication as a free writing prospectus if it is exempt from the definition of prospectus pursuant to Clause (a) of Section 2(a)(10) of the 1933 Act without regard to Rule 172 or 173.
- (c) The Nodak Parties will use commercially reasonable efforts to cause any post-effective amendment to the Registration Statement to be declared effective by the Commission and will immediately upon receipt of any information concerning the events listed below notify the Agent (i) when the Registration Statement, as amended, has become effective; (ii) of any request by the Commission or any other governmental entity for any amendment or supplement to the Registration Statement, or of any request for additional information; (iii) of the issuance by the Commission or any other governmental agency of any order or other action suspending the Offering or the use of the Registration Statement or the Prospectus or any other filing of the Nodak Parties under the 1933 Act, the 1933 Act Regulations, the 1934 Act, and the rules and regulations of the Commission promulgated under the 1934 Act (the “1934 Act Regulations”), the Century Code or any other applicable law, or the threat of any such action; or (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of the initiation or threat of initiation or threat of any proceedings for that purpose.

- (d) For a period of eighteen (18) months after the Closing Time, the Nodak Parties will comply in all material respects with any and all terms, conditions, requirements and provisions with respect to the Offering and the transactions contemplated thereby imposed by the Commission or the Commissioner, by applicable state law and regulations (including without limitation the Century Code), and by the 1933 Act, the 1933 Act Regulations, the 1934 Act, and 1934 Act Regulations, FINRA, and the NASDAQ Stock Market, to be complied with prior to or subsequent to the Closing Time; and when the Prospectus is required to be delivered, the Nodak Parties will comply in all material respects, at their own expense, with all material requirements imposed upon them by the Commission or the Commissioner, by applicable state law and regulations and by the 1933 Act, the 1933 Act Regulations, the 1934 Act, and the 1934 Act Regulations, in each case as from time to time in force, so far as necessary to permit the continuance of sales or dealing in the Shares during such period in accordance with the provisions hereof and the Prospectus. If the most recent updated valuation of the Company prepared by Feldman Financial, Inc. is not within the valuation range set forth in the Prospectus at the time of effectiveness and Holdings decides to resolicit subscriptions, Holdings will promptly prepare and file with the Commission a post-effective amendment to the Registration Statement relating to the results of the updated valuation prior to any resolicitation of subscriptions.
- (e) Each of the Nodak Parties will inform the Agent of any event or circumstances of which it is or becomes aware as a result of which the Registration Statement and/or Prospectus, as then supplemented or amended, would include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading. If it is necessary, in the reasonable opinion of counsel for the Nodak Parties and in the reasonable opinion of the Agent, to amend or supplement the Registration Statement or the Prospectus in order to correct such untrue statement of a material fact or to make the statements therein not misleading in light of the circumstances existing at the time of their use, the Nodak Parties will, at their expense, prepare and file with the Commission, as necessary under applicable federal and state rules and regulations, and furnish to the Agent a reasonable number of copies of an amendment or amendments of, or a supplement or supplements to, the Registration Statement and the Prospectus (in form and substance reasonably satisfactory to the Agent after a reasonable time for review) which will amend or supplement the Registration Statement and/or the Prospectus so that as amended or supplemented it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances existing at the time, not misleading. For the purpose of this subsection, each of the Nodak Parties will furnish such information with respect to itself as the Agent may from time to time reasonably request.
- (f) Pursuant to the terms of the Plan, Holdings will endeavor in good faith, in cooperation with the Agent, to register or to qualify the Shares for offer and sale or to exempt such Shares from registration and to exempt Holdings and its officers, directors and employees from registration as broker-dealers, under the applicable securities laws of the jurisdictions in which the Offering will be conducted; *provided, however*, that Holdings shall not be obligated to file any general consent to service of process, to qualify as a foreign corporation to do business in any jurisdiction in which it is not so qualified, or to register its directors or officers as brokers, dealers, salesmen, or agents in any jurisdiction. In each jurisdiction where any of the Shares shall have been registered or qualified as above provided, Holdings will make and file such statements and reports as are or may be required by the laws of such jurisdiction as a result of, or in connection with, such registration or qualification.

- (g) Holdings will not sell or issue, contract to sell or otherwise dispose of, for a period of 180 days after the date hereof, without the Agent's prior written consent, which consent shall not be unreasonably withheld, any shares of Common Stock, any option, warrant, contract or other right to purchase shares of Common Stock, or any security convertible into or exercisable or exchangeable for shares of Common Stock, other than in connection with any plan or arrangement described in the Prospectus.
- (h) For the period of three years from the date of this Agreement, Holdings will furnish to the Agent upon request (i) a copy of each report of Holdings furnished to or filed with the Commission under the 1934 Act or any national securities exchange or system or the NASDAQ Stock Market on which any class of securities of Holdings is listed or quoted, (ii) a copy of each report of Holdings mailed to holders of Common Stock or non-confidential report filed with the Commission, the Department, or any other supervisory or regulatory authority or any national securities exchange or system or the NASDAQ Stock Market on which any class of the securities of Holdings is listed or quoted, (iii) each press release and material news item and article released by the Nodak Parties, and (iv) from time-to-time, such other publicly available information concerning the Nodak Parties as the Agent may reasonably request; *provided that*, any information or documents available on the Commission's Electronic Data Gathering, Analysis and Retrieval System shall be considered furnished for purposes of this Section 8(h).
- (i) The Nodak Parties will use the net proceeds from the sale of the Shares in the manner set forth in the Prospectus under the caption "USE OF PROCEEDS."
- (j) Holdings will distribute the Prospectus or other offering materials in connection with the offering and sale of the Common Stock only in accordance with the 1933 Act, the 1933 Act Regulations, the 1934 Act and the 1934 Act Regulations, and the laws of any state in which the shares are qualified for sale.
- (k) Prior to the Closing Time, Holdings shall register its Common Stock under Section 12(b) of the 1934 Act, as amended, and will request that such registration statement be effective as of the Closing Time. Holdings will use commercially reasonable efforts to list, subject to notice of issuance, the Shares on the NASDAQ Capital Market.
- (l) [Intentionally Omitted].
- (m) Holdings will report the use of proceeds of the Offering in accordance with Rule 463 under the 1933 Act.

- (n) The Nodak Parties will maintain appropriate arrangements for depositing all funds received from persons mailing subscriptions for or orders to purchase Shares on a non-interest bearing basis as described in the Prospectus until the Closing Time and satisfaction of all conditions precedent to the release of Holdings' obligation to refund payments received from persons subscribing for or ordering Shares in the Offering, in accordance with the Plan as described in the Prospectus, or until refunds of such funds have been made to the persons entitled thereto. The Nodak Parties will maintain, together with the Agent, such records of all funds received to permit the funds of each subscriber to be separately insured by the FDIC (to the maximum extent allowable) and to enable the Nodak Parties to make the appropriate refunds of such funds in the event that such refunds are required to be made in accordance with the Plan and as described in the Prospectus.
- (o) Until the Closing Time, the Nodak Parties will take such actions and furnish such information as are reasonably requested by the Agent in order for the Agent to ensure compliance with Rule 5130 of FINRA.
- (p) The Nodak Parties will conduct their businesses in compliance in all material respects with all applicable federal and state laws, rules, regulations, decisions, directives and orders including, all decisions, directives and orders of the Commission and the Department.
- (q) The Nodak Parties shall comply with any and all terms, conditions, requirements and provisions with respect to the Plan and the transactions contemplated thereby imposed by the Commission, the 1933 Act, the 1933 Act Regulations, the 1934 Act and the 1934 Act Regulations to be complied with subsequent to the Closing Time for so long as such terms, conditions, requirements and provisions are applicable. Holdings will comply with all provisions of all undertakings contained in the Registration Statement until such undertakings are performed in full or are no longer applicable.
- (r) The Nodak Parties will not amend the Plan without the consent of the Agent, which consent shall not be unreasonably withheld or delayed.
- (s) Holdings shall provide the Agent with any information necessary to assist with the allocation of the Shares in the Offering in the event of an oversubscription, and such information shall be accurate and reliable in all material respects.
- (t) Holdings will not deliver the Shares until the Nodak Parties have satisfied or caused to be satisfied each condition set forth in Section 10 hereof, unless such condition is waived in writing by the Agent.
- (u) Immediately upon completion of the sale by Holdings of the Shares contemplated by the Plan and the Prospectus, all of the issued and outstanding shares of capital stock of Nodak Insurance Company shall be owned by Holdings.
- (v) Prior to the Closing Time, the Plan shall have been approved by the voting members of Nodak Mutual in accordance with the provisions of the Century Code.

- (w) On or before the Closing Time, the Nodak Parties will have completed all conditions precedent to the Offering specified in the Plan and the offer and sale of the Shares will have been conducted in all material respects in accordance with the Plan and with all other applicable laws, regulations, decisions and orders, including all terms, conditions, requirements and provisions precedent to the Offering imposed upon any of the Nodak Parties by the Department, the Commission or any other regulatory authority and in the manner described in the Prospectus.
- (x) Holdings shall notify the Agent when funds shall have been received for the minimum number of Shares.
- (y) The Nodak Parties shall cause each of the Persons listed on Schedule A attached hereto to execute and deliver to the Agent a lockup agreement substantially in the form of Exhibit C attached hereto.

**9. Payment of Expenses.** The Nodak Parties will pay for all expenses incident to the performance of this Agreement, including without limitation: (a) the preparation, printing, filing, delivery and shipment of the Registration Statement, including the Prospectus, and all amendments and supplements thereto, and all filing fees related thereto; (b) all filing fees and expenses in connection with the qualification or registration of the Shares for offer and sale by Holdings under the securities or "blue sky" laws, including without limitation filing fees, reasonable legal fees and disbursements of counsel in connection therewith, and in connection with the preparation of a blue sky law survey; (c) the filing fees of FINRA related to the Agent's fairness filing under Rule 5110 (or any successor rule of FINRA); (e) fees and expenses related to the preparation of the Appraisal; (f) fees and expenses related to auditing and accounting services; (g) all expenses relating to advertising, postage, temporary personnel, investor meetings and the operation of the stock information center; (h) transfer agent fees and costs of preparation and distribution of written notices under Section 10-19.1-66 of the Century Code; and (i) fees and expenses of the Nodak Parties relating to presentations or meetings undertaken in connection with the marketing of the Syndicated Offering and sale of the Shares in the Syndicated Offering to prospective investors and the Agent's sales forces, including expenses associated with travel, lodging, and other expenses incurred by the officers of the Nodak Parties; *provided, however*, that the Agent shall pay the fees and expenses of the Agent and any of its affiliates relating to presentations or meetings undertaken in connection with the marketing and sale of the Shares to prospective investors and the Agent's sales forces, including expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations, travel, lodging and other expenses incurred by the officers of the Agent and any such consultants. In the event that the Agent incurs any expenses on behalf of the Nodak Parties, the Nodak Parties will pay or reimburse the Agent for such expenses in an amount not to exceed \$10,000 ( except as approved in writing by Nodak Mutual) regardless of whether the Offering is successfully completed. Not later than two days prior to the Closing Time, the Agent will provide the Nodak Parties with a detailed accounting of all reimbursable expenses to be paid at the Closing.

**10. Conditions to the Agent's Obligations.** The obligations of the Agent hereunder and the occurrence of the Closing are subject to the conditions that (i) all representations and warranties and other statements of the Nodak Parties herein contained are, at and as of the commencement of the Offering and at and as of the Closing Time, true and correct in all material respects, and (ii) the Nodak Parties shall have performed all of their obligations hereunder to be performed on or before such dates, and to the following further conditions:

(a) The Registration Statement shall have been declared effective by the Commission, and no stop order or other action suspending the effectiveness of the Registration Statement shall have been issued under the 1933 Act or proceedings therefor initiated or, to any of the Nodak Parties' knowledge, threatened by the Commission or any state authority and no order or other action suspending the authorization for use of the Prospectus or the consummation of the Conversion shall have been issued or proceedings therefor initiated or, to any of the Nodak Parties' knowledge, threatened by the Department, the Commission, or any other governmental body. The Conversion Application shall have been approved by the Commissioner.

(b) At the Closing Time, the Agent shall have received:

(1) An opinion or opinions, dated as of the Closing Time, of Dorsey & Whitney or Stevens & Lee, P.C., as counsel to the Nodak Parties, in form and substance satisfactory to counsel for the Agent, to the effect that:

(i) Holdings is a corporation duly incorporated and validly subsisting under the laws of the State of North Dakota, with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus, and is duly qualified to transact business and will be in good standing in each jurisdiction in which the conduct of its business requires such qualification and in which the failure to qualify would have a Material Adverse Effect.

(ii) Prior to the Closing Time Nodak Mutual was a mutual insurance company and after the Closing Time Nodak Insurance Company will be a duly incorporated and validly subsisting North Dakota stock insurance company with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and to enter into this Agreement and perform its obligations hereunder, and is duly qualified to transact business and in good standing in each jurisdiction in which the conduct of its business requires such qualification and in which the failure to qualify would have a Material Adverse Effect (as defined in Section 6(m)).

(iii) Nodak Mutual Group is a duly incorporated North Dakota corporation, validly existing under the laws of the State of North Dakota, with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and to enter into this Agreement and perform its obligations hereunder, and is duly qualified to transact business and in good standing in each jurisdiction in which the conduct of its business requires such qualification and in which the failure to qualify would have a Material Adverse Effect.



- (iv) The authorized capital stock of Holdings consists of 25,000,000 shares of Common Stock, \$0.01 par value per share, and 5,000,000 shares of preferred stock, no par value, and Holdings has no shares of capital stock issued and outstanding. Immediately upon consummation of the Offering, (a) the shares of Common Stock of Holdings to be subscribed for or for which orders are placed in the Offering will have been duly and validly authorized for issuance, and when issued and delivered by Holdings pursuant to the Plan against payment of the consideration calculated as set forth in the Plan, will be fully paid and nonassessable; and (b) the issuance of the shares of Common Stock of Holdings will not be subject to preemptive rights under the articles of incorporation or bylaws of Holdings, or arising or outstanding by operation of law or, to the knowledge of such counsel, under any contract, indenture, agreement, instrument or other document, except for the subscription rights under the Plan.
- (v) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Nodak Parties; and this Agreement constitutes a valid, legal and binding obligation of each of the Nodak Parties, enforceable in accordance with its terms, except to the extent that the provisions of Sections 11 and 12 hereof may be unenforceable as against public policy, and except to the extent that such enforceability may be limited by bankruptcy laws, insolvency laws, or other laws affecting the enforcement of creditors' rights generally.
- (vi) The Plan has been duly adopted by the Board of Directors of Nodak Mutual in the manner required by the Century Code.
- (vii) Upon consummation of the Offering, to the knowledge of such counsel, (a) the Offering was made in all material respects in accordance with the Plan, (b) all terms, conditions, requirements and provisions with respect to the Conversion and Offering imposed by the Commission or the Department were complied with by the Nodak Parties in all material respects or appropriate waivers were obtained, and (c) all notice and waiting periods were satisfied or waived; *provided, however*, that no opinion need be expressed concerning the state securities or blue sky laws or foreign securities laws of various jurisdictions in which the Shares will be offered.
- (viii) The Registration Statement has become effective under the 1933 Act and, to such counsel's knowledge after making inquiry of the Commission, and based upon representations made by staff of the Commission, no stop order suspending the effectiveness of the Registration Statement has been issued, and, to such counsel's knowledge, no proceedings for that purpose have been instituted or threatened.

- (ix) The description of the shares of Common Stock of Holdings contained in the Registration Statement and the Prospectus, insofar as such statements purport to summarize certain provisions of the certificate of incorporation and bylaws of Holdings, provide a fair summary thereof.
- (x) At the time that the Registration Statement became effective, the Registration Statement, including the Prospectus contained therein, as amended or supplemented (other than the financial statements, notes to financial statements, financial tables or other financial and statistical data included therein and the fairness opinion, the appraisal valuation and the business plan as to which counsel need express no opinion), complied as to form in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations.
- (xi) To such counsel's knowledge, there are no legal or governmental proceedings pending or threatened (i) asserting the invalidity of this Agreement or (ii) seeking to prevent the offer, sale or issuance of the Shares.
- (xii) The information in the Prospectus under the captions "BUSINESS — Regulation," and "DESCRIPTION OF OUR CAPITAL STOCK," to the extent that it constitutes summaries of legal matters, documents or proceedings, or legal conclusions, fairly presents in all material respects the information required to be presented in Form S-1.
- (xiii) None of the Nodak Parties is required to be registered as an investment company under the Investment Company Act of 1940, as amended.
- (xiv) To such counsel's knowledge, none of the Nodak Parties is in violation of its Organizational Documents as in effect at the Closing Time. In addition, to such counsel's knowledge, the execution and delivery of and performance under this Agreement by the Nodak Parties, the incurrence of the obligations set forth herein and the consummation of the transactions contemplated herein will not result in any material violation of the provisions of the Organizational Documents of any of the Nodak Parties or any material violation of any applicable law, act, regulation, or to such counsel's knowledge, order or court order, writ, injunction or decree.

In rendering such opinion, such counsel may rely as to matters of fact, without independent investigation, on certificates of responsible officers of the Nodak Parties (to the extent relevant) and public officials, provided copies of any such certificates are delivered to Agent together with the opinion to be rendered hereunder. Such opinion may be limited to the laws of the State of North Dakota and the federal securities laws of the United States of America, and such opinion will not be deemed to be rendering any opinion or any other statements regarding the regulatory laws of any other state.

(2) A letter of Stevens & Lee, PC addressed to the Agent to the effect that during the preparation of the Registration Statement and the Prospectus, representatives of Stevens & Lee, PC participated in conferences with certain officers of and other representatives of the Nodak Parties, representatives of the independent public accounting firm for the Nodak Parties and representatives of the Agent at which the contents of the Registration Statement and the Prospectus and related matters were discussed, and although (without limiting the opinions provided pursuant to Section 10(b)(1)) Stevens & Lee, PC has not independently verified the accuracy, completeness or fairness of the statements contained in the Registration Statement and Prospectus, on the basis of the information obtained in the course of engagement as counsel, nothing has come to the attention of the representatives of Stevens & Lee, PC providing services to the Nodak Parties that caused them to believe that (i) the Registration Statement at the time it was ordered effective by the Commission, (ii) the General Disclosure Package as of the Closing Time, or (iii) the Prospectus, as of its date and as of the Closing Time, contained or contains any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (it being understood that counsel need not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement, the General Disclosure Package and the Prospectus, and counsel need not express any belief with respect to the financial statements, schedules and other financial and statistical data included, statistical or appraisal or valuation methodology employed, or information concerning internal controls over financial reporting contained in, the Registration Statement, Prospectus or General Disclosure Package).

(3) A blue sky memorandum from Stevens & Lee, PC addressed to the Nodak Parties and the Agent relating to the Offering, including the Agent's participation therein. The Blue Sky Memorandum will address the necessity of obtaining or confirming exemptions, qualifications or the registration of the Shares under applicable state securities law.

- (c) Concurrently with the execution of this Agreement, the Agent shall receive a letter from WeiserMazars LLP, dated the date hereof and addressed to the Agent, in the form set forth in Exhibit B hereto.
- (d) At the Closing Time, the Agent shall receive a letter from WeiserMazars LLP dated the Closing Time, addressed to the Agent, confirming the statements made by its letter delivered by it pursuant to subsection (c) above, the "specified date" referred to in clause (iii)(C) and (D) thereof to be a date specified in such letter, which shall not be more than six business days prior to the Closing Time.

- (e) At the Closing Time, the Agent shall receive a certificate of the Chief Executive Officer and Chief Financial Officer of each of the Nodak Parties, dated as of the Closing Time, in form and substance satisfactory to the Agent to the effect that: (i) they have examined the Prospectus and at the time the Prospectus became authorized for final use, the Prospectus did not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; (ii) since the date the Prospectus became authorized for final use, no event has occurred which should have been set forth in an amendment or supplement to the Prospectus which has not been so set forth, including specifically, but without limitation, any material adverse change in the condition, financial or otherwise, or in the earnings, capital, properties or business of the Nodak Parties; (iii) since the respective dates as of which information is given in the Registration Statement, the General Disclosure Package and the Prospectus, there has been no material adverse change in the condition, financial or otherwise, or in the earnings, capital, properties or business of the Nodak Parties independently, or of the Nodak Parties considered as one enterprise, whether or not arising in the ordinary course of business; (iv) the representations and warranties contained in Section 6 of this Agreement are true and correct with the same force and effect as though made at and as of the Closing Time; (v) each of the Nodak Parties has complied in all material respects with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Time including the conditions contained in this Section 10; (vi) no stop order suspending the effectiveness of the Registration Statement has been issued or, to their knowledge, is threatened, by the Commission or any other governmental body; (vii) no order suspending the Offering, the Conversion or the use of the Prospectus has been issued and, to their knowledge, no proceedings for any such purpose have been initiated or threatened by the Department, the Commission, or any other federal or state authority; and (viii) to their knowledge, no person has sought to obtain review of the final action of the Director with respect to the Conversion Application.
- (f) Prior to and at the Closing Time, none of the Nodak Parties shall have sustained, since the date of the latest audited financial statements included in the Registration Statement and Prospectus, any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth in the Registration Statement and the Prospectus, and since the respective dates as of which information is given in the Registration Statement and the Prospectus, there shall not have been any material change, or any development involving a prospective Material Adverse Effect, otherwise than as set forth or contemplated in the Registration Statement and the Prospectus, the effect of which, in any such case described above, is in the Agent's reasonable judgment sufficiently material and adverse as to make it impracticable or inadvisable to proceed with the Offering or the delivery of the Shares on the terms and in the manner contemplated in the Prospectus.
- (g) At or prior to the Closing Time, the Commissioner shall have issued a letter or order to Nodak Mutual, which shall have the force of approving the Conversion and Offering.

- (h) Subsequent to the date hereof, there shall not have occurred any of the following: (i) a suspension or limitation in trading in securities generally on the New York Stock Exchange or American Stock Exchange or in the over-the-counter market, or quotations halted generally on the Nasdaq Stock Market, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices for securities have been required by either of such exchanges or FINRA or by order of the Commission or any other governmental authority other than temporary trading halts (A) imposed as a result of intraday changes in the Dow Jones Industrial Average, (B) lasting no longer than until the regularly scheduled commencement of trading on the next succeeding business-day, and (C) which, when combined with all other such halts occurring during the previous five business days, total less than three; (ii) a general moratorium on the operations of federally-insured financial institutions or general moratorium on the withdrawal of deposits from federally-insured financial institutions declared by either federal or state authorities; or (iii) any outbreak of hostilities or escalation thereof or other calamity or crisis, including, without limitation, terrorist activities after the date hereof, the effect of any of (i) through (iii) herein, in the judgment of the Agent, is so material and adverse as to make it impracticable to market the Shares or to enforce contracts, including subscriptions or purchase orders, for the sale of the Shares.

All such opinions, certificates, letters and documents will be in compliance with the provisions hereof only if they are reasonably satisfactory in form and substance to the Agent. Any certificate signed by an officer of any of the Nodak Parties and delivered to the Agent shall be deemed a representation and warranty by the Nodak Parties to the Agent as to the statements made therein. If any condition to the Agent's obligations hereunder to be fulfilled prior to or at the Closing Time is not fulfilled, the Agent may terminate this Agreement (provided that if this Agreement is so terminated but the sale of Shares is nevertheless consummated, the Agent shall be entitled to the reimbursement of all expenses to the extent contemplated by Section 14 hereof but shall not be entitled to any compensation provided for in Section 4(b) or (c) hereof) or, if the Agent so elects, may waive any such conditions which have not been fulfilled or may extend the time of their fulfillment.

## 11. Indemnification.

- (a) The Nodak Parties jointly and severally agree to indemnify and hold harmless the Agent, its officers, directors, agents, and employees and each person, if any, who controls the Agent within the meaning of Section 15 of the 1933 Act or Section 20(a) of the 1934 Act, against any and all loss, liability, claim, damage or expense whatsoever (including but not limited to settlement expenses, subject to the limitation set forth in the last sentence of Paragraph (c) below), joint or several, that the Agent or any of such officers, directors, agents, employees and controlling Persons (collectively, the “Related Persons”) may suffer or to which the Agent or the Related Persons may become subject under all applicable federal and state laws or otherwise, and to promptly reimburse the Agent and any Related Persons upon written demand for any reasonable expenses (including reasonable fees and disbursements of counsel) incurred by the Agent or any Related Persons in connection with investigating, preparing or defending any actions, proceedings or claims (whether commenced or threatened) to the extent such losses, claims, damages, liabilities or actions: (i) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment or supplement thereto), the Prospectus (or any amendment or supplement thereto), the General Disclosure Package, the Conversion Application, any Issuer Free Writing Prospectus or any blue sky application or other instrument or document executed by any of the Nodak Parties or based upon written information supplied by any of the Nodak Parties filed in any state or jurisdiction to register or qualify any or all of the Shares under the securities laws thereof or to claim an exemption therefrom (collectively, the “Blue Sky Applications”), or any application or other document, advertisement, or communication (“Sales Information”) prepared, made or executed by or on behalf of any of the Nodak Parties with its consent or based upon written or oral information furnished by or on behalf of any of the Nodak Parties, whether or not filed in any jurisdiction in order to qualify or register the Shares under the securities laws thereof or to claim an exemption therefrom, (ii) arise out of or are based upon the omission or alleged omission to state in any of the foregoing documents or information, a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (iii) arise from any theory of liability whatsoever relating to or arising from or based upon the Registration Statement (or any amendment or supplement thereto), the Prospectus (or any amendment or supplement thereto), any Issuer Free Writing Prospectus, or any Blue Sky Applications or Sales Information or other documentation distributed in connection with the Offering; or (iv) result from any claims made with respect to the accuracy, reliability and completeness of the records of policyholders, including without limitation, Eligible Subscribers, or for any denial or reduction of a subscription or order to purchase Common Stock, whether as a result of a properly calculated allocation pursuant to the Plan or otherwise, based upon such records; *provided, however*, that no indemnification is required under this Paragraph (a) to the extent such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue material statements or alleged untrue material statements in, or material omission or alleged material omission from, the Registration Statement (or any amendment or supplement thereto) or the Prospectus (or any amendment or supplement thereto), any Issuer Free Writing Prospectus, the Blue Sky Applications or Sales Information or other documentation distributed in connection with the Offering made in reliance upon and in conformity with written information furnished to the Nodak Parties by the Agent or its representatives with respect to the Agent expressly for use in any such document (or any amendment or supplement thereto); *provided*, that it is agreed and understood that the only information furnished in writing to the Nodak Parties, by the Agent regarding the Agent is set forth in the Prospectus in the second sentence of the first three paragraphs under the caption “The Conversion and the Offering—Marketing and Underwriting Arrangements”.

- (b) The Agent agrees to indemnify and hold harmless the Nodak Parties, their directors and officers, agents, and employees and each person, if any, who controls any of the Nodak Parties within the meaning of Section 15 of the 1933 Act or Section 20(a) of the 1934 Act against any and all loss, liability, claim, damage or expense whatsoever (including but not limited to settlement expenses, subject to the limitation set forth in the last sentence of Paragraph (c) below), joint or several which they, or any of them, may suffer or to which they, or any of them, may become subject under all applicable federal and state laws or otherwise, and to promptly reimburse the Nodak Parties and any such persons upon written demand for any reasonable expenses (including reasonable fees and disbursements of counsel) incurred by them in connection with investigating, preparing or defending any actions, proceedings or claims (whether commenced or threatened) to the extent such losses, claims, damages, liabilities or actions (i) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment of supplement thereto), the Prospectus (or any amendment of supplement thereto), any Issuer Free Writing Prospectus, or any Blue Sky Applications or Sales Information, or (ii) are based upon the omission or alleged omission to state in any of the foregoing documents a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however*, that the Agent's obligations under this Paragraph (b) shall exist only if and only to the extent that such untrue statement or alleged untrue statement was made in, or such material fact or alleged material fact was omitted from, the Registration Statement (or any amendment or supplement thereto), the Prospectus (or any amendment or supplement thereto), the Blue Sky Applications or Sales Information in reliance upon and in conformity with written information furnished to any of the Nodak Parties by the Agent or its representatives (including counsel) with respect to the Agent expressly for use therein; *provided*, that it is agreed and understood that the only information furnished in writing to the Nodak Parties, by the Agent regarding the Agent is set forth in the Prospectus in the first three paragraphs under the caption "The Conversion and the Offering—Marketing and Underwriting Arrangements".

- (c) Each indemnified party shall give prompt written notice to each indemnifying party of any action, proceeding, claim (whether commenced or threatened), or suit instituted against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve it from any liability which it may have on account of this Section, Section 12 or otherwise, except to the extent that such failure or delay causes actual harm to the indemnifying party with respect to such action, proceeding, claim or suit. An indemnifying party may participate at its own expense in the defense of such action. In addition, if it so elects within a reasonable time after receipt of such notice, an indemnifying party, jointly with any other indemnifying parties receiving such notice, may assume the defense of such action with counsel chosen by it reasonably acceptable to the indemnified parties that are defendants in such action, unless such indemnified parties reasonably object to such assumption on the ground that there may be legal defenses available to them that are different from or in addition to those available to such indemnifying party. If an indemnifying party assumes the defense of such action, the indemnifying parties shall not be liable for any fees and expenses of counsel for the indemnified parties incurred thereafter in connection with such action, proceeding or claim, other than reasonable costs of investigation unless such indemnified parties reasonably object to such assumption on the ground that there may be legal defenses available to them that are different from or in addition to those available to such indemnifying party. In no event shall the indemnifying parties be liable for the fees and expenses of more than one separate firm of attorneys for all indemnified parties in connection with any one action, proceeding or claim or separate but similar or related actions, proceedings or claims in the same jurisdiction arising out of the same general allegations or circumstances. The indemnifying party shall be liable for any settlement of any claim against the indemnified party (or its directors, officers, employees, affiliates or controlling persons) made with the indemnifying party's consent, which consent shall not be unreasonably withheld. The indemnifying party shall not, without the written consent of indemnified party, settle or compromise any claim against the indemnified party based upon circumstances giving rise to an indemnification claim against the indemnifying party hereunder unless such settlement or compromise provides that indemnified party and the other indemnified parties shall be unconditionally and irrevocably released from all liability in respect of such claim.



**12. Contribution.** In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in Section 11 is due in accordance with its terms but is found in a final judgment by a court to be unavailable from the Nodak Parties or the Agent, the Nodak Parties and the Agent shall contribute to the aggregate losses, claims, damages and liabilities of the nature contemplated by such indemnification (including any investigation, legal and other expenses incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding, but after deducting any contribution received by the Nodak Parties or the Agent from persons other than the other parties thereto, who may also be liable for contribution) in such proportion so that (i) the Agent is responsible for that portion represented by the percentage that the fees paid to the Agent pursuant to Section 4 of this Agreement (not including expenses) (“Agent’s Fees”) bear to the total proceeds received by the Nodak Parties from the sale of the Shares in the Offering, net of the Agent’s Fees, and (ii) the Nodak Parties shall be responsible for the balance. If, however, the allocation provided above is not permitted by applicable law, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative fault of the Nodak Parties on the one hand and the Agent on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions, proceedings or claims in respect thereof), but also the relative benefits received by the Nodak Parties on the one hand and the Agent on the other from the Offering, as well as any other relevant equitable considerations. The relative benefits received by the Nodak Parties on the one hand and the Agent on the other hand shall be deemed to be in the same proportion as the total proceeds from the Offering, net of the Agent’s Fees, received by the Nodak Parties bear to the Agent’s Fees. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Nodak Parties on the one hand or the Agent on the other and the parties relative intent, good faith, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Nodak Parties and the Agent agree that it would not be just and equitable if contribution pursuant to this Section 12 were determined by pro-rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 12. The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or action, proceedings or claims in respect thereof) referred to above in this Section 12 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action, proceeding or claim. It is expressly agreed that the Agent shall not be liable for any loss, liability, claim, damage or expense or be required to contribute any amount which in the aggregate exceeds the amount paid (excluding reimbursable expenses) to the Agent under this Agreement. It is understood and agreed that the above-stated limitation on the Agent’s liability is essential to the Agent and that the Agent would not have entered into this Agreement if such limitation had not been agreed to by the parties to this Agreement. No person found guilty of any fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not found guilty of such fraudulent misrepresentation. For purposes of this Section 12, each of the Agent’s and the Nodak Parties’ officers and directors and each person, if any, who controls the Agent or any of the Nodak Parties within the meaning of the 1933 Act and the 1934 Act shall have the same rights to contribution as the Nodak Parties and the Agent. Any party entitled to contribution, promptly after receipt of notice of commencement of any action, suit, claim or proceeding against such party in respect of which a claim for contribution may be made against another party under this Section 12, will notify such party from whom contribution may be sought, but the omission to so notify such party shall not relieve the party from whom contribution may be sought from any other obligation it may have hereunder or otherwise than under this Section 12, except to the extent that such failure or delay causes actual harm to the indemnifying party with respect to such action, proceeding, claim or suit. The obligations of the Nodak Parties under this Section 12 and under Section 11 shall be in addition to any liability which the Nodak Parties and the Agent may otherwise have.

**13. Survival.** All representations, warranties and indemnities and other statements contained in this Agreement or contained in certificates of officers of the Nodak Parties or the Agent submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any termination or cancellation of this Agreement or any investigation made by or on behalf of the Agent or its controlling persons, or by or on behalf of the Nodak Parties and shall survive the issuance of the Shares, and any legal representative, successor or assign of the Agent, any of the Nodak Parties, and any indemnified person shall be entitled to the benefit of the respective agreements, indemnities, warranties and representations.

**14. Termination.**

- (a) Agent may terminate this Agreement by giving the notice indicated below in this Section at any time after this Agreement becomes effective as follows:

- (i) If any domestic or international event or act or occurrence has materially disrupted the United States securities markets such as to make it, in the Agent's reasonable opinion, impracticable to proceed with the offering of the Shares; or if trading on the NYSE shall have suspended (except that this shall not apply to the imposition of NYSE trading collars imposed on program trading); or if the United States shall have become involved in a war or major hostilities or escalation thereof; or if a general banking moratorium has been declared by a state or federal authority which has a material effect on the Nodak Parties on a consolidated basis; or if a moratorium in foreign exchange trading by major international banks or persons has been declared; or if any of the Nodak Parties shall have sustained a material or substantial loss by fire, flood, accident, hurricane, earthquake, theft, sabotage or other calamity or malicious act, whether or not such loss shall have been insured; or, if there shall have been a material adverse change in the financial condition, results of operations or business of the Nodak Parties taken as a whole.
  - (ii) In the event that (x) the Plan is abandoned or terminated by Nodak Mutual, (y) Holdings fails to consummate the sale of the minimum number of the Shares by \_\_\_\_\_, 2016, in accordance with the provisions of the Plan, or (z) the Agent terminates this relationship because there has been a Material Adverse Effect, this Agreement shall terminate and no party to this Agreement shall have any obligation to the other hereunder, except that (1) the Nodak Parties shall remain liable for any amounts due pursuant to Sections 3, 4, 9, 11 and 12 hereof, unless the transaction is not consummated due to the breach by the Agent of a warranty, representation or covenant and (2) the Agent shall remain liable for any amount due pursuant to Sections 11 and 12 hereof, unless the transaction is not consummated due to the breach by the Nodak Parties of a warranty representation or covenant.
  - (iii) If any of the conditions specified in Section 10 shall not have been fulfilled when and as required by this Agreement, or by the Closing Time, or waived in writing by the Agent, this Agreement and all of the Agent's obligations hereunder may be canceled by the Agent by notifying the Nodak Parties of such cancellation in writing at any time at or prior to the Closing Time, and any such cancellation shall be without liability of any party to any other party except that (x) the Nodak Parties shall remain liable for any amounts due pursuant to Sections 3, 4, 9, 11 and 12 hereof, unless the transaction is not consummated due to breach by the Agent of a warrant, representation or covenant, and (y) the Agent shall remain liable for any amount due pursuant to Sections 11 and 12 hereof, unless the transaction is not consummated due to the breach by the Nodak Parties of a warranty representation or covenant.
- (b) If Agent elects to terminate this Agreement as provided in this Section, the Nodak Parties shall be notified by the Agent as provided in Section 15 hereof.
  - (c) If this Agreement is terminated in accordance with the provisions of this Agreement, the Nodak Parties shall pay the Agent the fees earned pursuant to Section 4 and will reimburse the Agent for its reasonable expenses pursuant to Section 9.
  - (d) Any of the Nodak Parties may terminate this Agreement in the event the Agent is in material breach of the representations and warranties or covenants contained in Section 5 and such breach has not been cured within a reasonable time period after the Nodak Parties have provided the Agent with notice of such breach.

(e) This Agreement may also be terminated by mutual written consent of the parties hereto.

**15. Notices.** All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed by United States certified mail, return receipt requested, or sent by a nationally recognized commercial courier promising next business day delivery (such as Federal Express) or transmitted by any standard form of telecommunication (such as facsimile or email) with confirming copy sent by regular U.S. mail. Notices shall be sent as follows:

If to Agent:	Griffin Financial Group, LLC 620 Freedom Business Center 2nd Floor King of Prussia, Pennsylvania 10019 Attention: Jeffrey P. Waldron, Managing Director Facsimile: (610) 371-7974 Email: jpw@griffinfinancialgroup.com
If to the Nodak Parties:	Nodak Mutual Insurance Company 1101 1st Avenue North Fargo, North Dakota 58102 Attention: Michael J. Alexander Facsimile: (701) 298-4315 Email: jalexander@nodakmutual.com
With a copy to:	Stevens & Lee, PC 17 North 2nd Street Harrisburg, Pennsylvania 17101 Attention: Scott H. Spencer, Esquire Facsimile: (610) 236-4182 Email: shs@stevenslee.com

Any party may change the address or other information for notices set forth above by written notice to the other parties, which notice shall be given in accordance with this Section 15.

**16. Parties.** This Agreement shall inure to the benefit of and be binding upon the Agent and the Nodak Parties and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the parties hereto and their respective successors and the controlling persons and officers, directors, agents and employees referred to in Sections 11 and 12 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provisions herein contained.

**17. Partial Invalidity.** In the event that any term, provision or covenant herein or the application thereof to any circumstances or situation shall be invalid or unenforceable, in whole or in part, the remainder hereof and the application of said term, provision or covenant to any other circumstance or situation shall not be affected thereby, and each term, provision or covenant herein shall be valid and enforceable to the full extent permitted by law.

**18. Governing Law and Construction.** This Agreement shall be construed in accordance with the laws of the Commonwealth of Pennsylvania applicable to contracts executed and to be wholly performed therein without giving effects to its conflicts of laws principles or rules.

**19. Counterparts.** This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart. Any signature delivered by facsimile or email (including any delivery by PDF) shall bind the parties hereto with the same effect as the delivery of a manually signed signature page.

**20. Entire Agreement.** Except for the Advisory Letter Agreement, as amended, this Agreement, including schedules and exhibits hereto, which are integral parts hereof and incorporated as though set forth in full, constitutes the entire agreement between the parties pertaining to the subject matter hereof superseding any and all prior or contemporaneous oral or prior written agreements, proposals, letters of intent and understandings, and cannot be modified, changed, waived or terminated except by a writing which expressly states that it is an amendment, modification or waiver, refers to this Agreement and is signed by the party to be charged. No course of conduct or dealing shall be construed to modify, amend or otherwise affect any of the provisions hereof.

**21. Waiver of Trial by Jury.** Each of the Agent and the Nodak Parties waives all right to trial by jury in any action, proceeding, claim or counterclaim (whether based on contract, tort or otherwise) related to or arising out of this Agreement.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us a counterpart hereof, whereupon this instrument along with all counterparts will become a binding agreement between you and us in accordance with its terms.

Very truly yours,

**NI HOLDINGS, INC.**

By: \_\_\_\_\_

Michael J. Alexander, President and  
Chief Executive Officer

**NODAK MUTUAL INSURANCE COMPANY**

By: \_\_\_\_\_

Michael J. Alexander, Executive Vice President and Chief  
Executive Officer

**[COUNTERPART SIGNATURE OF GRIFFIN ON FOLLOWING PAGE]**

The foregoing Agency Agreement is hereby confirmed and accepted as of the date first set and above written.

**GRIFFIN FINANCIAL GROUP, LLC**

By:

\_\_\_\_\_  
Jeffrey P. Waldron, Senior Managing Director

**Schedule A**

Persons Required to Enter into Lock-up Agreements

NONE

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Advisory Engagement Letter with Griffin Financial Group, LLC

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**Exhibit B**

**Form of Comfort Letter from WeiserMazars LLP**

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**Exhibit C**  
**Form of Lockup Agreement**

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NODAK  
Mutual Insurance Company

Plan of Mutual Property and Casualty Insurance  
Company Conversion and Minority Offering

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Pursuant to Chapter 26.1-12.1 of the Century Code of North Dakota

**As Approved by the Board of Directors  
On January 21, 2016**

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**Plan of Mutual Property and Casualty Insurance Company Conversion  
and Minority Offering  
of  
NODAK Mutual Insurance Company  
January 21, 2016**

**RECITALS**

Nodak Mutual Insurance Company (the "Company") is a North Dakota domestic mutual insurance company.

The Company proposes to reorganize itself pursuant to the provisions of § 26.1-12.2 et seq. of the Century Code of North Dakota (the "Conversion Law") and § 26.1-12.1 et seq. of the Century Code of North Dakota (the "Reorganization Law") by:

- (a) forming a mutual insurance holding company (the "Mutual Holding Company");
- (b) forming an intermediate stock holding company which will be a majority owned subsidiary of the Mutual Holding Company (the "Stock Holding Company");
- (c) converting the Company from an incorporated mutual insurance company into an incorporated stock insurance company, which will then be a wholly-owned subsidiary of the Stock Holding Company; and
- (d) having the Stock Holding Company engage in an "Offering" (defined below) of not more than forty-five percent (45%) of its common stock such that upon completion of the Offering, the Mutual Holding Company will own a majority of the outstanding stock of the Stock Holding Company and the purchasers in the Offering will own a minority of the outstanding stock of the Stock Holding Company.

All of the foregoing actions, as further described in this Plan, constitute the "Conversion."

The Board of Directors of the Company believes the Conversion and the Offering to be in the best interests of the Company and that it is fair and equitable to its members. At a meeting duly called and held on January 21, 2016 (the "Adoption Date"), at the members of the Board of Directors of the Company unanimously approved the Conversion and the Offering and adopted this Plan of Conversion and Minority Offering (the "Plan") and authorized and directed the execution of this Plan of Conversion and Minority Offering providing for the conversion of the Company and the Offering in accordance with the requirements of the Conversion Law and the Reorganization Law, and otherwise in accordance with the terms and subject to the conditions as provided in this Plan.

The Board of Directors of the Company has directed that this Plan be filed with the North Dakota Insurance Department (the "Department") for review and approval as provided by law.

The Board of Directors of the Company has directed that this Plan be submitted to the Voting Members (as defined in Article I) of the Company for approval in accordance with the Conversion Law and the Company's articles of incorporation and bylaws.

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**ARTICLE I  
DEFINITIONS**

As used in this Plan, the following words or phrases have the following meanings. Terms defined in the Recitals shall have the meanings given to such terms therein. Such definitions shall be equally applicable to both the singular and plural forms of any of the terms herein defined.

“Affiliate” means a Person who, directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with the Person specified or who is acting in concert with the Person specified.

“Application” has the meaning specified in Section 3.1.

“Appraised Value” means the final estimated pro forma market value of the Company, as determined by the Independent Appraiser.

“Business Corporation Act” means § 10-19.1-00.1 et seq. of the Century Code of North Dakota.

“Code” means the Internal Revenue Code of 1986, as amended.

“Closing” means the closing of the transactions contemplated by this Plan, which shall occur on the Effective Date, including (i) the conversion of the Company from a mutual insurance company to a stock insurance company pursuant to this Plan by the filing of the Restated Articles with the office of the Secretary of State of North Dakota, (ii) the closing of the Offering, (iii) the issuance of the shares of common stock of the Converted Stock Company to the Mutual Holding Company, and (iv) the contribution of such shares of common stock of the Converted Stock Company to the Stock Holding Company by the Mutual Holding Company.

“Commissioner” means the Insurance Commissioner of the State of North Dakota.

“Common Stock” means the common stock of the Stock Holding Company, \$0.01 par value per share.

“Community Offering” means the offering for sale by the Stock Holding Company of any shares of Common Stock not subscribed for in the Subscription Offering as set forth in Section 4.4 hereof, and includes any Public Offering. The Stock Holding Company may retain the assistance of a broker-dealer or syndicate of broker-dealers to assist it in connection with the sale of Common Stock in the Community Offering.

“Converted Stock Company” has the meaning specified in Section 2.5.

“Director” means any member of the Board of Directors of the Company.

“Effective Date” has the meaning specified in Section 5.3.

“Eligible Member” means a member of the Company whose Policy is in force on the Adoption Date.

“Employee” means any natural person who is a full or part-time employee of the Company.

“ESOP” means the Employee Stock Ownership Plan to be established by the Stock Holding Company prior to the commencement of the Offering.

“Gross Proceeds” means the product of (x) the Purchase Price and (y) the number of shares for which subscriptions and orders are received in the Offering and accepted by the Stock Holding Company.

“Independent Appraiser” means Feldman Financial Advisors, Inc. or such other independent valuation expert who is experienced in valuing insurance companies and who has been engaged by the Company for the purpose of determining the Valuation Range.

“Insider” means any Officer or Director.

“Insurance Law” means § 26.1-01 et seq. of the Century Code of North Dakota.

“Maximum of the Offering Range” means the dollar amount equal to the Minority Percentage times the Maximum of the Valuation Range.

“Maximum of the Valuation of Range” has the meaning specified in Section 4.1(b).

“Membership Interests” means the rights of a member as a member of the Company or, upon completion of the Conversion, of the Mutual Holding Company to vote as provided for in the respective articles of incorporation and bylaws of the Company and the Mutual Holding Company and such other rights as are provided by statute, but shall not include any other right expressly conferred by any Policy.

“Members Meeting” has the meaning specified in Section 5.2(a).

“MHC Articles” has the meaning specified in Section 2.4.

“MHC Bylaws” has the meaning specified in Section 2.4.

“Minimum of the Offering Range” means the dollar amount equal to the Minority Percentage times the Minimum of the Valuation Range.

“Minimum of the Valuation of Range” has the meaning specified in Section 4.1(b).

“Minority Percentage” means forty-five percent (45%).

“Notice of Special Meeting” has the meaning specified in Section 5.2.



“Offering” means the minority offering of shares of Common Stock pursuant to this Plan in the Subscription Offering and the Community Offering and any Public Offering.

“Offering Range” means the range of dollar amounts extending from and including an amount equal to the Minority Percentage times the Minimum of the Valuation Range to and including an amount equal to the Minority Percentage times the Maximum of the Valuation Range.

“Officer” means the President, the Chairman, the Executive Vice President and Chief Executive Officer, the Chief Financial Officer, and any Vice President of the Company.

“Order Form” means the form provided on behalf of the Stock Holding Company by which Common Stock may be ordered in the Offering.

“Participant” means a Person to whom Common Stock is offered under the Subscription Offering.

“Participating Policy” means a policy that grants the holder the right to receive dividends if, as, and when declared by the Company.

“Plan” means this Plan of Conversion and Offering, including all Exhibits hereto, as the same may be amended from time to time in accordance with Section 6.6.

“Person” means an individual, partnership, firm, association, corporation, joint-stock company, limited liability company, trust, government or governmental agency, state or political subdivision of a state, public or private corporation, association, estate, trustee, or fiduciary, or any similar legal entity.

“Policy” means an insurance policy, in force, issued by the Company.

“Post-Adoption Member” means any Person who becomes a member of the Company after the Adoption Date but prior to the Voting Record Date.

“Prospectus” means the one or more documents to be used in offering the Common Stock in the Offering and for providing information to Persons in connection with the Offering.

“Public Offering” means an underwritten firm commitment or best efforts offering to the public through one or more underwriters or registered broker-dealers.

“Purchase Price” has the meaning specified in Section 4.1(c).

“Registration Statement” means the registration statement filed or to be filed with the SEC by the Stock Holding Company under the Securities Act with respect to the offer and sale of shares of the Common Stock in connection with the Offering.

“Restated Articles” has the meaning specified in Section 2.7.

“Restated Bylaws” has the meaning specified in Section 2.7.

“SEC” means the United States Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended.

“SHC Articles” has the meaning specified in Section 2.10.

“SHC Bylaws” has the meaning specified in Section 2.10.

“Stock Incentive Plan” means any executive stock incentive plan that may be established by the Stock Holding Company and under which stock options, shares of restricted stock, or restricted stock units may be granted to directors, officers and employees of the Stock Holding Company or any of its subsidiaries.

“Subscription Offering” means the offering of the Common Stock that is described in Section 4.3 hereof.

“Subscription Rights” means rights to subscribe for Common Stock in the Subscription Offering granted to Participants pursuant to the terms of this Plan.

“Subscription Right Value” means the value of each Subscription Right as determined in accordance with Section 4.17(b) hereof.

“Valuation Range” means the range of the estimated pro forma market value of the Company as converted to a stock insurance company as determined by the Independent Appraiser in accordance with Section 4.1(b) hereof.

“Voting Member” means an Eligible Member who is also a member of the Company as of the Voting Record Date.

“Voting Record Date” means the date set by the Board of Directors of the Company to determine the Eligible Members entitled to vote at the Members Meeting, which date shall not be more than ninety (90) days prior to the date of the Members Meeting.

## **ARTICLE II CONVERSION**

2.1. The Conversion. On the Effective Date and in accordance with the terms of this Plan and the provisions of the Conversion Law and the Reorganization Law and the Business Corporation Act, the Company shall be reorganized by forming the Mutual Holding Company, the Stock Holding Company and continuing the corporate existence of the Company as a stock insurance company without interruption, all in accordance with this Plan.

2.2. Reasons for the Conversion. The Conversion will enhance the Company’s strategic and financial flexibility by creating a corporate structure that will enable it to access the capital markets that are presently unavailable to the Company as a mutual insurance company, which may thereby facilitate the growth important to the Company’s goal of remaining an effective and competitive insurer in the future. Access to capital markets includes the sale of a portion of the stock of the Stock Holding Company as contemplated by this Plan.

2.3. Formation of Mutual Holding Company. The Mutual Holding Company shall be incorporated as a mutual corporation pursuant to the provisions of §26.1-12.1-02 of the Century Code. The name of the Mutual Holding Company shall be “Nodak Mutual Group.” On the Effective Date, (i) all members of the Company shall become members of the Mutual Holding Company in accordance with the MHC Articles and the MHC Bylaws and §26.1-12.1-02 of the Century Code, (ii) all Membership Interests in the Company shall become Membership Interests in the Mutual Holding Company, and (iii) all Membership Interests in the Company shall be extinguished.

2.4. Articles of Incorporation and Bylaws of Mutual Holding Company. The articles of incorporation of the Mutual Holding Company shall be in the form approved by the Company’s Board of Directors (the “MHC Articles”). The bylaws of the Mutual Holding Company shall be in the form approved by the Company’s Board of Directors (the “MHC Bylaws”).

2.5. Conversion Into Stock Insurance Company. On the Effective Date, the Company shall be converted into a stock insurance company (the “Converted Stock Company”) authorized to issue capital stock and shall change its corporate name to “Nodak Insurance Company”.

2.6. Continuation of Corporate Existence. The corporate existence of the Company shall be continued in the Converted Stock Company. All rights, franchises and interests of the Company in and to any type of property, real, personal, mixed, tangible or intangible, held immediately prior to the Effective Date shall be deemed transferred to and vested in the Converted Stock Company without further act or deed. Simultaneously, the Converted Stock Company shall be deemed to have assumed all obligations and liabilities of the Company that existed immediately prior to the Effective Date.

2.7. Articles of Incorporation and Bylaws of the Converted Stock Company. On the Effective Date, the articles of incorporation of the Converted Stock Company shall be in the form approved by the Company’s Board of Directors (the “Restated Articles”) and the bylaws of the Converted Stock Company shall be in the form approved by the Company’s Board of Directors (the “Restated Bylaws”).

2.8. Effect of Conversion on Existing Policies. On and after the Conversion, every Policy which is in force on the Effective Date shall continue in force under the terms of such Policy, except that on the Effective Date the following rights, to the extent that such rights existed, shall be extinguished:

(a) all voting rights provided under such Policy;

(b) any right to share in the surplus of the Company, unless such right is expressly provided for under the terms of such Policy; and

(c) any assessment provisions included in such Policy.

2.9. Formation of Stock Holding Company. On the Effective Date, the Stock Holding Company shall be incorporated as a stock corporation pursuant to the provisions of the Business Corporation Act. The name of the Stock Holding Company shall be “NI Holdings, Inc.”

2.10. Articles of Incorporation of the Stock Holding Company. On the Effective Date, the articles of incorporation of the Stock Holding Company shall be in the form approved by the Company’s Board of Directors (the “SHC Articles”). The bylaws of the Stock Holding Company shall be in the form approved by the Company’s Board of Directors (the “SHC Bylaws”).

2.11. Issuance of Shares of Capital Stock. On the Effective Date, all of the shares of the common stock of the Converted Stock Company shall be issued to the Mutual Holding Company, and immediately thereafter, the Mutual Holding Company shall contribute all such shares of common stock of the Converted Stock Company to the Stock Holding Company. In exchange for the contribution by the Mutual Holding Company to the Stock Holding Company of the shares of common stock of the Converted Stock Company, the Stock Holding Company shall issue to the Mutual Holding Company such number of shares of Common Stock as is equal to fifty-five percent (55%) of the total shares of Common Stock that will be outstanding after taking into account the number of shares of Common Stock that will be issued to all purchasers in the Offering.

2.12. Granting of Membership Interests in Mutual Holding Company Subsequent to the Effective Date. Persons who become policyholders of the Converted Stock Company subsequent to the Effective Date shall be granted Membership Interests in the Mutual Holding Company.

2.13. Participating Policies. Policyholders under any Participating Policy in force on the Effective Date shall continue to have the right to receive dividends as provided in the Participating Policy.

### **ARTICLE III APPLICATION**

3.1. Filing of Application for Approval of Plan. Within 90 days after adoption of this Plan by the Board of Directors of the Company and prior to submission of this Plan to Voting Members for approval at the Members Meeting, the Company shall file an application with the Department in accordance with § 26.1-12.2-02(2) of the Century Code (the “Application”). The Application shall contain the following:

(a) A copy of this Plan;

(b) A copy of the report of the Independent Appraiser with respect to the determination of the Valuation Range as required by Section 4.1(b) of this Plan;

- (c) The application fee required by § 26.1-12.2-02(2)(f) of the Century Code;
- (d) The form of notice to be given to Voting Members pursuant to Section 5.2(b) of this Plan;
- (e) The form of proxy to be solicited from Voting Members pursuant to Section 5.2(c) of this Plan;
- (f) The form of notice required by § 26.1-12.2-09 of the Century Code to be given to Post-Adoption Members;
- (g) Copies of the Restated Articles and Restated Bylaws; and

(h) Any acquisition of control statement by the Stock Holding Company and the Mutual Holding Company to the extent required by § 26.1-10-03 of the Century Code.

3.2. Notice to Eligible Members. Upon the filing of the Application, the Company shall send a notice by first class mail to each Eligible Member (as such address appears on the records of the Company), which notice shall: (i) advise each Eligible Member of the adoption of this Plan, (ii) advise each Eligible Member of the filing of this Plan with the Department, (iii) notify each Eligible Member of his or her right to provide comments on this Plan to the Department and the Company within thirty (30) days after the date of such notice, (iv) advise each Eligible Member of the procedure to be followed in providing comments on this Plan, (v) notify each Eligible Member of his or her right to request and receive a copy of this Plan, and (vi) disclose to such Eligible Member that the initial Plan is not the final approved Plan and that the Commissioner's approval, if any, of the final Plan does not constitute or imply endorsement of this Plan or the Conversion by the Commissioner or the Department.

#### **ARTICLE IV DETERMINATION OF NUMBER OF SHARES TO BE SOLD IN THE OFFERING**

4.1. Determination of Number of Shares. The number of shares of Common Stock to be offered and sold by the Stock Holding Company in the Offering will be determined as follows:

(a) Minority Share Offering. Notwithstanding any other provision of this Plan to the contrary, the number of shares of Common Stock sold by the Stock Holding Company in the Offering shall be equal to the Minority Percentage of the total outstanding shares of Common Stock on the Effective Date, so that the Mutual Holding Company will own a majority of the outstanding shares of Common Stock on the Effective Date.

(b) Independent Appraiser. The Independent Appraiser will be retained by the Company to determine the Valuation Range. The Valuation Range shall equal the Independent Appraiser's estimate of the total value of the Company. The Valuation Range will consist of a midpoint valuation, a valuation fifteen percent (15%) above the midpoint valuation (the "Maximum of the Valuation Range") and a valuation fifteen percent (15%) below the midpoint valuation (the "Minimum of the Valuation Range"). The Valuation Range will be based upon the financial condition and results of operations of the Company, a comparison of the Company with comparable publicly-held insurance companies, and such other factors as the Independent Appraiser may deem to be relevant, including that value which the Independent Appraiser estimates to be necessary to attract a full subscription for the Common Stock. The Independent Appraiser will submit to the Company the Valuation Range and a related report that describes the data and methodology used to determine the Valuation Range.

(c) Purchase Price. The Purchase Price for each share for Common Stock sold in the Offering will be \$10.00 and will be uniform as to all purchasers in the Offering.

(d) Number of Shares of Common Stock to be Offered. The maximum number of shares of Common Stock to be offered in the Offering shall be equal to the Maximum of the Offering Range divided by the Purchase Price.

(e) Number of Shares of Common Stock to be Sold. If the Gross Proceeds falls within the Offering Range, the following steps will be taken:

(i) *Subscription Offering Meets or Exceeds Maximum*. If the number of shares to which Participants subscribe in the Subscription Offering multiplied by the Purchase Price is equal to or greater than the Maximum of the Offering Range, then the Stock Holding Company on the Effective Date shall issue shares of Common Stock to the subscribing Participants; *provided, however*, that the number of shares of Common Stock issued shall not exceed the number of shares of Common Stock offered in the Offering. In the event of an oversubscription in the Subscription Offering, shares of Common Stock shall be allocated among the subscribing Participants as provided in Section 4.3 hereof; *provided, however*, that no fractional shares of Common Stock shall be issued.

(ii) *Subscription Offering Meets or Exceeds Minimum*. If the number of shares of Common Stock subscribed for by Participants in the Subscription Offering multiplied by the Purchase Price is equal to or greater than the Minimum of the Offering Range, but less than the Maximum of the Offering Range, then the Stock Holding Company on the Effective Date shall issue shares of Common Stock to the subscribing Participants in an amount sufficient to satisfy the subscriptions of such Participants in full. To the extent that shares of Common Stock remain unsold after the subscriptions of all Participants in the Subscription Offering have been satisfied in full, the Stock Holding Company shall have the right in its absolute discretion to accept, in whole or in part, orders received from purchasers in the Community Offering; *provided, however*, that the number of shares of Common Stock issued shall not exceed the Maximum of the Offering Range divided by the Purchase Price; and, *provided further*, that no fractional shares of Common Stock shall be issued.

(iii) *Subscription Offering Does Not Meet Minimum.* If the number of shares of Common Stock subscribed for by Participants in the Subscription Offering multiplied by the Purchase Price is less than the Minimum of the Offering Range, then in such event the Stock Holding Company may accept subscriptions received from subscribers in the Community Offering. If the aggregate number of shares of Common Stock subscribed for in the Subscription Offering together with the orders for shares accepted in the Community Offering multiplied by the Purchase Price is equal to or greater than the Minimum of the Offering Range, then on the Effective Date the Stock Holding Company shall: (A) issue shares of Common Stock to subscribing Participants in an amount sufficient to satisfy the subscriptions of such Participants in full, and (B) issue to purchasers in the Community Offering whose orders have been accepted such additional number of shares of Common Stock such that the aggregate number of shares of Common Stock to be issued to subscribing Participants and to purchasers in the Community Offering multiplied by the Purchase Price shall be equal to the Minimum of the Offering Range; *provided, however,* that no fractional shares of Common Stock shall be issued. The Stock Holding Company may in its absolute discretion elect to issue shares of Common Stock to purchasers in the Community Offering in excess of the number determined by reference to clause (B) of the preceding sentence; *provided, however,* that the number of shares of Common Stock issued shall not exceed the Maximum of the Offering Range divided by the Purchase Price.

(iv) *Offering Does Not Meet Minimum.* If the aggregate number of shares of Common Stock subscribed for in the Subscription Offering together with the orders for shares accepted in the Community Offering multiplied by the Purchase Price is less than the Minimum of the Offering Range, then in such event the Stock Holding Company may (w) cancel the Offering and terminate this Plan, (x) establish a new Valuation Range, (y) extend, reopen or hold a new Offering, or (z) take such other action as it deems reasonably necessary. If a new Valuation Range is established and the Offering is extended, reopened or continued as part of a new Offering, Persons who previously submitted subscriptions will be required to confirm, revise or cancel their original subscriptions. If original subscriptions are canceled, any related payment will be refunded (without interest).

If, following a reduction in the Valuation Range, the aggregate number of shares of Common Stock subscribed for, or for which orders have been accepted, in the Offering multiplied by the Purchase Price is equal to or greater than the Minimum of the Offering Range (as such Offering Range has been reduced), then the Stock Holding Company on the Effective Date shall: (i) issue shares of Common Stock to Participants in the Subscription Offering in an amount sufficient to satisfy the subscriptions of such subscribers in full, and (ii) issue to purchasers in the Community Offering whose orders have been accepted such additional number of shares of Common Stock such that the aggregate number of shares of Common Stock to be issued multiplied by the Purchase Price shall be at least equal to the Minimum of the Offering Range (as such Offering Range has been reduced).

(v) *Participant Eligibility.* Notwithstanding anything to the contrary set forth in this Plan, the Stock Holding Company shall have the right in its absolute discretion and without liability to any subscriber, purchaser, underwriter or any other Person to determine which proposed Persons and which subscriptions and orders in the Offering meet the criteria provided in this Plan for eligibility to purchase Common Stock and the number of shares eligible for purchase by any Person. The Stock Holding Company's determination of these matters shall be final and binding on all parties and all Persons. The Stock Holding Company shall have absolute and sole discretion to accept or reject, in whole or in part, any offer to purchase that is made or received in the course of the Community Offering, irrespective of a Person's eligibility under this Plan to participate in the Community Offering.

(f) Unsuccessful Offering. If the Gross Proceeds from subscriptions and orders that have been accepted in the Offering does not fall within the Offering Range, then the Company may cancel the Offering and terminate this Plan, establish a new Valuation Range and extend, reopen or hold a new Offering, or take such other action as it deems to be reasonably necessary.

4.2. General Procedure for the Offerings. As soon as practicable after the registration of the Common Stock under the Securities Act of 1933, as amended, and after the receipt of all required regulatory approvals, the Common Stock shall be first offered for sale in a Subscription Offering. The Subscription Offering will remain open for at least forty-five (45) days after the Prospectus is first mailed to the Eligible Members. It is anticipated that any shares of Common Stock remaining unsold after the Subscription Offering will be sold through a Community Offering. The purchase price per share for the Common Stock shall be a uniform price determined in accordance with Section 3 hereof.

4.3. Subscription Offering. Subscription Rights to purchase shares of Common Stock at the Purchase Price will be distributed by the Stock Holding Company to the Participants in the following priorities:

(a) Eligible Members (First Priority). Each Eligible Member shall receive, without payment, Subscription Rights to purchase up such number of shares as is equal to the quotient of (i) the midpoint of the Offering Range divided by the number of Eligible Members, divided by (ii) the Purchase Price; *provided, however*, that the maximum number of shares that may be purchased by Eligible Members in the aggregate shall be equal to the Maximum of the Offering Range divided by the Purchase Price.

In the event of an oversubscription for shares of Common Stock by Eligible Members, available shares shall be allocated among subscribing Eligible Members in the proportion in which (i) the aggregate number of shares as to which each such Eligible Member's subscription remains unsatisfied bears to (ii) the aggregate number of shares as to which all such Eligible Members' subscriptions remain unsatisfied; *provided, however*, that no fractional shares of Common Stock shall be issued.

(b) ESOP (Second Priority). The ESOP shall receive, without payment, Subscription Rights to purchase at the Purchase Price a number of shares of Common Stock equal no more than nine and nine-tenths percent (9.9%) of the total number of shares of Common Stock to be issued in the Offering; *provided, however*, that such Subscription Rights shall be subordinated to the Subscription Rights of the Eligible Members; and *provided, further*, that such Subscription Rights may be exercised only to the extent that there are shares of Common Stock that could have been purchased by Eligible Members, but which remain unsold after satisfying the subscriptions of all Eligible Members.



(c) Directors, Officers and Employees (Third Priority). Each Director, Officer and Employee shall receive, without payment, Subscription Rights to purchase shares of Common Stock sold in the Offering (or such maximum purchase limitation as may be established for the Community Offering or Public Offering); *provided, however*, that such Subscription Rights shall be subordinated to the Subscription Rights of the Eligible Members and the ESOP; and *provided, further*, that such Subscription Rights may be exercised only to the extent that there are shares of Common Stock that could have been purchased by Eligible Members and the ESOP, but which remain unsold after satisfying the subscriptions of all Eligible Members and the ESOP. In the event of an oversubscription among the Directors, Officers, and Employees the subscription of any one Director, Officer or Employee shall be equal to the product of (i) the number of shares available for subscription by all Directors, Officers, and Employees, and (ii) a fraction, expressed as a percentage, the numerator of which is the number of shares to which the subscribing Director, Officer or Employee subscribed and the denominator of which is the total number of shares subscribed by all Directors, Officers and Employees.

A Director, Officer or Employee who subscribes to purchase shares of Common Stock and who also is eligible to purchase shares of Common Stock as an Eligible Member will be deemed to purchase Common Stock first in his or her capacity as an Eligible Member.

(d) Surplus Notes. The right of any holder of a surplus note issued by the Company to purchase shares of Common Stock in the Offering will be governed by the terms of such surplus note.

(e) Limitations on Subscription Rights.

(i) Except as described in Subsection (ii) below, subscription rights granted under this Plan will be nontransferable, nonnegotiable personal rights to subscribe for and purchase shares of Common Stock at the purchase price established hereunder. Subscription Rights under this Plan will be granted without payment, but subject to all the terms, conditions and limitations of this Plan. Any Person purchasing Common Stock hereunder will be deemed to represent and affirm to the Stock Holding Company and the Company that such Person is purchasing for his or her own account or for the account of a permitted transferee as provided in paragraph (ii) below, and not on behalf of any other Person.

(ii) An Eligible Member may transfer all, but not less than all, of such Eligible Member's Subscription Rights to:

(A) Such Eligible Member and spouse or children;

(B) A trust or other estate or wealth planning entity established for the benefit of such Eligible Member or such Eligible Member's spouse or children;

(C) The Eligible Member's individual or joint individual retirement account or other tax-qualified retirement plan; or

(D) To the Stock Holding Company in accordance with Section 4.17 hereof.

Any Subscription Rights transferred pursuant to clauses (A) through (C) above must be transferred for no consideration.

4.4. Community Offering or Public Offering.

(a) If less than the total number of shares of the Common Stock offered under this Plan are sold in the Subscription Offering, it is anticipated that remaining shares of Common Stock shall, if practicable, be sold by the Stock Holding Company in the Community Offering.

(b) In the Community Offering, the Stock Holding Company may accept, in its sole and absolute discretion, orders received from the following categories of preferred purchasers before accepting orders from the general public:

(i) Post-Adoption Members;

(ii) licensed insurance agencies and/or brokers that have been appointed by or otherwise are under contract with the Company to market and distribute policies of insurance;

(iii) members of the North Dakota Farm Bureau;

(iv) employees of Tri-State Ltd.

(v) natural persons and trusts of natural persons (including individual retirement and Keogh retirement accounts and personal trusts in which such natural persons have substantial interests) who are residents of North Dakota;

(vi) licensed insurance agencies and/or brokers that have been appointed by or otherwise are under contract with American West Insurance Company, Battle Creek Mutual Insurance Company, or Primero Insurance Company; and

(vii) natural persons and trusts of natural persons (including individual retirement and Keogh retirement accounts and personal trusts in which such natural persons have substantial interests) who are residents of South Dakota, Nevada, Nebraska, Minnesota, and Arizona.

(c) A Prospectus and an Order Form shall be furnished to such Persons as the Company may select in connection with the Community Offering, and each order for Common Stock in the Community Offering shall be subject to the absolute right of the Stock Holding Company to accept or reject any such order in whole or in part either at the time of receipt of an order or as soon as practicable following completion of the Community Offering. In the event of an oversubscription, subject to the preferences described above and the right of the Stock Holding Company to accept or reject, in its sole discretion, any order received in the Community Offering, any available shares will be allocated among purchasers whose orders have been accepted but remain unsatisfied on a *pro rata* basis, *provided* no fractional shares shall be issued.

(d) The Stock Holding Company may commence the Community Offering concurrently with, at any time during, or as soon as practicable after the end of, the Subscription Offering, and the Community Offering must be completed within 45 days after the completion of the Subscription Offering, unless extended by the Stock Holding Company.

(e) The Stock Holding Company may sell any shares of Common Stock remaining following the Subscription Offering and Community Offering in a Public Offering, if desired. The provisions of Section 4.3(e) shall not be applicable to the sales to underwriters for purposes of the Public Offering, but shall be applicable to sales by the underwriters to the public. The price to be paid by the underwriters in such an offering shall be equal to the Purchase Price less an underwriting discount to be negotiated among such underwriters and the Stock Holding Company, subject to any required regulatory approval or consent.

(f) If for any reason a Public Offering of shares of Common Stock not sold in the Subscription Offering and the Community Offering cannot be effected, or if the number of shares of Common Stock remaining to be sold after the Subscription Offering and Community Offering is so small that a Public Offering of those remaining shares would be impractical, the Company shall use its best efforts to obtain other purchases in such manner and upon such condition as may be necessary.

4.5. Limitations on Subscriptions and Purchases of Common Stock. The following additional limitations and exceptions shall apply to all purchases of Common Stock in the Offering:

(a) To the extent that shares are available, no Person may purchase fewer than the lesser of (i) 25 shares of Common Stock or (ii) shares of Common Stock having an aggregate purchase price of \$250.00 in the Offering.

(b) In addition to the other restrictions and limitations set forth herein, the maximum amount of Common Stock which any Person together with any Affiliate or group of Persons acting in concert may, directly or indirectly, subscribe for or purchase in the Offering (including without limitation the Subscription Offering and/or Community Offering), shall not exceed five percent (5%) of the total shares of Common Stock sold in the Offering, except that the ESOP may purchase no more than nine and nine-tenths percent (9.9%) of the total shares of Common Stock issued in the Offering as set forth in Section 4.3(b). The limit set forth in this Section shall not be construed to increase any other purchase limit provided herein. Purchases of shares of Common Stock in the Offering by any Person shall not exceed five percent (5%) of the total shares of Common Stock sold in the Offering irrespective of the different capacities in which such person may have received Subscription Rights under this Plan.

(c) For purposes of the foregoing limitations and the determination of Subscription Rights, (i) Directors, Officers, and Employees shall not be deemed to be Affiliates or a group acting in concert solely as a result of their capacities as such, (ii) shares purchased by the ESOP shall not be attributable to the individual trustees, beneficiaries or participants of any such plan for purposes of determining compliance with the limitations set forth in this Section, and (iii) shares of Common Stock purchased by any plan participant pursuant to the exercise of Subscription Rights granted to such plan participant in his individual capacity as an Eligible Member or Director or Officer or Employee and/or purchases by such plan participant in the Community Offering shall not be deemed to be purchases by the ESOP for purposes of calculating the maximum amount of Common Stock that the ESOP may purchase.

(d) The Company may increase or decrease any of the purchase limitations set forth herein at any time; *provided* that in no event shall the maximum purchase limitation applicable to Eligible Members be less than the maximum purchase limitation percentage applicable to any other class of subscribers or purchasers in the Offering. In the event that either an individual or aggregate purchase limitation is increased after commencement of the Offering, any Person who ordered the maximum number of shares of Common Stock shall be permitted to purchase additional shares up to the then maximum number of shares permitted to be subscribed for by such Person, subject to the rights and preferences of any person who has priority rights to purchase shares of Common Stock in the Offering. In the event that either an individual or the aggregate purchase limitation is decreased after commencement of the Offering, the orders of any Person who subscribed for the maximum number of shares of Common Stock shall be decreased by the minimum amount necessary so that such Person shall be in compliance with the then maximum number of shares permitted to be subscribed for or ordered by such Person.

(e) Each Person who purchases Common Stock in the Offering shall be deemed to confirm that such purchase does not conflict with the purchase limitations under this Plan or otherwise imposed by law. The Company shall have the right to take any action as it may, in its sole discretion, deem necessary, appropriate or advisable in order to monitor and enforce the terms, conditions, limitations and restrictions contained in this Section and elsewhere in this Plan and the terms, conditions and representations contained in the Order Form, including, but not limited to, the absolute right of the Stock Holding Company to reject, limit or revoke acceptance of any order and to delay, terminate or refuse to consummate any sale of Common Stock which it believes might violate, or is designed to, or is any part of a plan to, evade or circumvent such terms, conditions, limitations, restrictions and representations. Any such action shall be final, conclusive and binding on all Persons and the Stock Holding Company and the Company shall be free from any liability to any Person on account of any such action.

#### 4.6. Timing of the Offerings, Manner of Purchasing Common Stock and Order Forms.

(a) The exact timing of the commencement of the Offering shall be determined by the Stock Holding Company in consultation with any financial advisory or investment banking firm retained by it in connection with the Offering. The Stock Holding Company may consider a number of factors in determining the exact timing of the commencement of the Offering, including, but not limited to, its current and projected future earnings, local and national economic conditions and the prevailing market for stocks in general and stocks of insurance companies in particular. The Stock Holding Company shall have the right to withdraw, terminate, suspend, delay, revoke or modify the Offering at any time and from time to time, as it in its sole discretion may determine, without liability to any Person, subject to any necessary regulatory approval or concurrence.

(b) The Stock Holding Company shall have the absolute right, in its sole discretion and without liability to any Person, to reject any Order Form, including, but not limited to, any Order Form that is (i) improperly completed or executed, (ii) not timely received, (iii) not accompanied by the proper payment, or (iv) submitted by a Person whose representations the Stock Holding Company believes to be false or who it otherwise believes, either alone, or acting in concert with others, is violating, evading or circumventing, or intends to violate, evade or circumvent, the terms and conditions of this Plan. The Stock Holding Company may, but will not be required to, waive any irregularity on any Order Form or may require the submission of corrected Order Forms or the remittance of full payment for shares of Common Stock by such date as they may specify. The interpretation of the Stock Holding Company of the terms and conditions of the Order Forms shall be final and conclusive. Once the Stock Holding Company receives an Order Form, the order shall be deemed placed and will be irrevocable.

(c) The Stock Holding Company shall make reasonable efforts to comply with the securities laws of all jurisdictions in the United States in which Persons entitled to subscribe reside. However, the Stock Holding Company has no obligation to offer or sell shares to any Person under the Plan if such Person resides in a foreign country or in a jurisdiction of the United States with respect to which (i) there are few Persons otherwise eligible to subscribe for shares under this Plan who reside in such jurisdiction, (ii) the granting of Subscription Rights or the offer or sale of shares of Common Stock to such Persons would require the Stock Holding Company or its Directors, Officers or Employees, under the laws of such jurisdiction, to register as a broker or dealer, salesman or selling agent or to register or otherwise qualify the Common Stock for sale in such jurisdiction, or the Stock Holding Company would be required to qualify as a foreign corporation or file a consent to service of process in such jurisdiction, or (iii) such registration or qualification in the judgment of the Stock Holding Company would be impracticable or unduly burdensome for reasons of cost or otherwise.

#### 4.7. Payment for Common Stock.

(a) Payment for shares of Common Stock ordered by Persons in the Offering shall be equal to the Purchase Price per share multiplied by the number of shares that are being ordered. Payment for shares subscribed for or ordered in the Subscription Offering or the Community Offering shall be made by bank draft, check, or money order at the time the Order Form is delivered to the Stock Holding Company. Payment for all shares of Common Stock subscribed for must be received in full and collected by the Stock Holding Company or by any subscription or escrow agent engaged by the Stock Holding Company. All subscription payments will be deposited by the Stock Holding Company in an escrow account at a bank designated by the Stock Holding Company and the Company. Payment for shares ordered through a broker-dealer or underwriter in the Community Offering or any Public Offering may be paid by delivery of a wire transfer of immediately available funds to such escrow account.

(b) Consistent with applicable laws and regulations, payment for shares of Common Stock ordered by the ESOP may be made with funds contributed or loaned by the Stock Holding Company or the Company and/or funds obtained pursuant to a loan from an unrelated financial institution pursuant to a loan commitment which is in force from the time that the ESOP submits an Order Form until the closing of the transactions contemplated hereby.

(c) Each share of Common Stock issued in the Offering shall be non-assessable upon payment in full of the Purchase Price.

4.8. Conditions to the Offerings. Consummation of the Offering is subject to (i) the receipt of all required federal and state approvals for the issuance of Common Stock in the Offering, (ii) approval of the Plan by the Voting Members of the Company as provided in § 26.1-12.2-02(9) of the Century Code, and (iii) the sale in the Offering of such minimum number of shares of Common Stock within the Offering Range as may be determined by the Board of Directors of the Company and the Stock Holding Company.

4.9. Requirement Following Offering for Registration, Market Making and Stock Exchange Listing. The Stock Holding Company shall register the Common Stock pursuant to the Securities Exchange Act of 1934, as amended. The Stock Holding Company shall use commercially reasonable efforts to (i) encourage and assist a market maker to establish and maintain a market for that class of stock, and (ii) list that class of stock on a national or regional securities exchange or have quotations for that class of stock disseminated on the Nasdaq Stock Market.

4.10. Restrictions on Transfer of Common Stock.

(a) All shares of the Common Stock which are purchased in the Offering by Persons other than Insiders shall be transferable without restriction. Shares of Common Stock purchased by Insiders in the Offering shall be subject to the restriction that such shares shall not be sold or otherwise disposed of for value for a period of one-year following the date of purchase, except for:

(i) Transfers to the spouse or minor children of such Insider;

(ii) Transfers to a trust or other estate or wealth planning entity established for the benefit of such Insider or the spouse or minor children of such Insider; or

(iii) Transfers of such shares following the death of the Insider.

(b) The shares of Common Stock issued by the Stock Holding Company to Insiders and their Affiliates shall bear the following legend giving appropriate notice of such one-year restriction:

The shares represented by this Certificate may not be sold by the registered holder hereof for a period of one-year from the date of the issuance printed hereon, except in the event of the death of the registered holder. This restrictive legend shall be deemed null and void after one year from the date of this Certificate.

(c) In addition, the Stock Holding Company shall give appropriate instructions to the transfer agent for its Common Stock with respect to the applicable restrictions relating to the transfer of restricted stock. Any shares issued at a later date as a stock dividend, stock split or otherwise with respect to any such restricted stock shall be subject to the same holding period restrictions as may then be applicable to such restricted stock.

(d) The foregoing restriction on transfer shall be in addition to any restrictions on transfer that may be imposed by federal and state securities laws.

4.11. Stock Compensation Plans. Subsequent to the Offering, subject to Commissioner approval and the further approval of the appropriate Board of Directors and the shareholders of the Stock Holding Company in accordance with §26.1-12.2-04(1) of the Century Code, the Company may adopt a Stock Incentive Plan; *provided, however*, that, any such plan shall be implemented in accordance with applicable laws and regulations.

4.12. Purchases by Directors and Officers Following Conversion. Without the prior approval of the Commissioner, directors and officers of the Converted Company and directors and officers of the Stock Holding Company shall be prohibited for a period of three (3) years following the Effective Date from purchasing shares of stock of the Stock Holding Company, except through a broker-dealer. Notwithstanding this restriction, any such Officer or Director may make (i) block purchases involving one percent (1%) or more of the then outstanding shares of Common Stock of the Stock Holding Company may be made without the use of a broker-dealer if approved in writing by the Department, and (ii) purchases may be made by or for the account of an Officer or Director (a) pursuant to a tax-qualified employee stock benefit plan established pursuant to § 26.1-12.2-04(1) of the Century Code, or (b) pursuant to, or in connection with, a nontax-qualified employee stock benefit plan approved by the shareholders of the Stock Holding Company pursuant to § 26.1-12.2-04(2) of the Century Code.

4.13. Purchases of Common Stock by the Stock Holding Company Following Conversion. Without the prior approval of the Commissioner, for a period of two (2) years from the Effective Date, neither the Stock Holding Company nor the Converted Company shall repurchase any Common Stock from any Person, except that this restriction shall not apply to either:

(a) A repurchase on a pro rata basis pursuant to an offer made to all shareholders of the Stock Holding Company; or

(b) A purchase in the open market by a tax-qualified or nontax-qualified employee stock benefit plan in an amount reasonable and appropriate to fund such tax-qualified or nontax-qualified employee stock benefit plan.

4.14. Voting Rights. After consummation of the Conversion, exclusive voting rights with respect to the Company shall be vested in the Stock Holding Company, which will hold of all of the Company's outstanding capital stock.

4.15. Amendment or Termination. This Plan may be substantively amended at any time by the Board of Directors of the Company as a result of comments from the Department. This Plan may be terminated at any time by the Board of Directors of the Company.

4.16. Interpretation. References herein to provisions of federal and state law shall in all cases be deemed to refer to the provisions of the same which were in effect at the time of adoption of this Plan by the Board of Directors of the Company and any subsequent amendments to such provisions. All interpretations of this Plan and application of its provisions to particular circumstances by a majority of the Board of Directors of the Company shall be final.

4.17. Redemption of Subscription Rights.

(a) Each Eligible Member shall have the right to require the Company to redeem all, but not less than all, of the Subscription Rights granted to such Eligible Member for cash at a redemption price equal to the Subscription Right Value. Any Eligible Member that elects to have the Company redeem the Subscription Rights granted to such Eligible Member shall not have the right to exercise such Subscription Rights. Any Eligible Member that fails to exercise the Subscription Rights granted to such Eligible Member shall be deemed to have elected to have the Company redeem all of the Subscription Rights granted to such Eligible Member. The election by an Eligible Member to require, or not to require, the Company to redeem the Subscription Rights granted to such Eligible Member shall be binding upon any permitted transferee of such Eligible Member. Any Eligible Member that elects, or is deemed to have elected, to have such Eligible Member's Subscription Rights redeemed by the Company shall not be permitted to purchase shares of Common Stock in the Community Offering or any Public Offering.

(b) The Subscription Right Value shall be determined by the Independent Appraiser as of the same date as the Appraised Value. The Subscription Right Value shall be determined using the Black-Scholes option pricing model. For determining the stock price volatility and other valuation inputs the Independent Appraiser shall assume that the attributes of the Stock Holding Company will be substantially similar to the attributes of the stock of the peer companies used to determine the estimated pro forma market value of the Company. The term of the Subscription Right shall be assumed to be ninety (90) days for the sole purpose of determining the Subscription Right Value.

(c) The redemption price for each Subscription Right that an Eligible Member elects to have redeemed by the Company (or is deemed to have elected to have the Company redeem) will be paid to such Eligible Member by the Company or the Stock Holding Company within thirty (30) days after the Effective Date.

(d) For the avoidance of doubt, no recipient of a Subscription Right other than an Eligible Member shall have the right to require the Company to redeem any of its Subscription Rights.

**ARTICLE V**  
**APPROVAL, CONDITIONS AND EFFECTIVE**  
**DATE OF CONVERSION AND REORGANIZATION**

5.1. Approval by the Commissioner. The Company shall file an application with the Department and obtain the Commissioner's approval of this Plan as required by the Conversion Law and the Reorganization Law.

5.2. Approval by Voting Members.

(a) Voting Members' Meeting. This Plan is subject to approval by the Voting Members. After this Plan has been approved by the Department, the Company shall hold a meeting of the Voting Members (the "Members Meeting") at which Voting Members shall be entitled to vote on the proposal to approve this Plan. The Board of Directors of the Company has directed that this Plan be submitted to the Department for review and approval as provided by law. Approval of this Plan is subject to the affirmative vote of at least two-thirds of the votes cast by Voting Members at the Members Meeting, *provided* that a quorum is present. Each Voting Member shall be entitled to cast one vote. Voting Members may vote in person or by proxy.



(b) Notice of Members' Meeting. The Members Meeting shall be held not less than forty-five (45) nor more than sixty (60) days from the date notice of the Members Meeting is given. Notice of the Members Meeting to act on this Plan shall be given to each Voting Member at the Voting Member's address as shown on the Company's records.

(c) Content of Notice. The notice of the Members Meeting shall contain, among other things, the information and notices required under the provisions of the Conversion Law and by the Department and shall be accompanied by a form of proxy permitting the Eligible Members to vote FOR or AGAINST this Plan. Approval by the Eligible Members of this Plan shall constitute approval by the Eligible Members of the MHC Articles, the MHC Bylaws, the Restated Articles and the Restated Bylaws.

5.3. Conditions and Effective Date. Upon satisfaction of all conditions as provided in Subsections (a), (b) and (c) of this Section 5.3, the Company shall file the MHC Articles, the SHC Articles and the Restated Articles with the Department. In addition, the Converted Stock Company shall file with the Department a copy of the minutes of the Members Meeting together with a copy of MHC Bylaws, the SHC Bylaws and the Restated Bylaws. This Plan shall become effective on the date (the "Effective Date") that all of the provisions of this Section 5.3 have been complied with and the MHC Articles, the SHC Articles and the Restated Articles have been filed with the office of the North Dakota Secretary of State in the manner provided by the North Dakota Business Corporation Act.

(a) Voting Members' Approval. The Conversion shall not become effective unless this Plan shall have been approved by the Voting Members as provided in Section 5.2(a).

(b) Regulatory Approvals. The Conversion shall not become effective unless:

(i) This Plan shall have been approved by the Department as provided in Section 5.1;

(ii) The MHC Articles, Restated Articles and SHC Articles as provided in Sections 2.4, 2.7 and 2.10 shall have been approved by the Department; and

(iii) The form of notice to Voting Members and the form of proxy as provided in Section 5.2(c) shall have been approved by the Department.

(c) Tax Considerations. The Conversion shall not become effective unless on or prior to the Effective Date the Company shall have obtained rulings from the Internal Revenue Service or an opinion of independent tax counsel substantially to the effect that the Conversion of the Company from a domestic mutual insurance company into a stock insurance company, the exchange of the Membership Interests in the Company for Membership Interests in the Mutual Holding Company, the issuance of the shares of the capital stock of the Converted Stock Company and Stock Holding Company, and the contribution of the shares of the capital stock of the Converted Stock Company by the Mutual Holding Company to the Stock Holding Company will constitute a tax-free Conversion, or will otherwise constitute a tax-free transaction for the parties to the Conversion under the provisions of the Internal Revenue Code of 1986, as amended, except to the extent a Participant receives cash in exchange for such Participant's Subscription Rights.

## ARTICLE VI ADDITIONAL PROVISIONS

6.1. No Transfer or Exchange. The Conversion shall not be construed to result in any reinsurance or in any real or constructive issuance or exchange of any insurance policy or contract or any other transfer of any assets, rights or obligations of the Company.

6.2. Directors and Officers. Each director and officer of the Company, or their successors, to the extent they still hold such positions on the Effective Date, shall serve as the directors and officers of the Converted Stock Company on and after the Effective Date, until new directors and officers have been duly elected and qualified pursuant to the Restated Articles and the Restated Bylaws.

6.3. Conflict of Interest. No director, officer, agent or employee of the Company or other Person shall receive any fee, commission or other valuable consideration, other than such Person's regular salary or compensation, for in any manner aiding, promoting, arranging, or assisting in the Conversion except as set forth in this Plan. This Section 6.3 shall not prohibit the payment of reasonable fees and compensation to attorneys, accountants or actuaries for services performed in the independent practice of their professions notwithstanding the fact that such attorney, accountant or actuary is a member of the Board of Directors of the Company.

6.4. Notices. If the Company complies substantially and in good faith with the notice requirements of the Conversion Law, its failure to give any member of the Company a required notice shall not impair the validity of the action taken under the Conversion Law or this Plan.

6.5. Assets of Mutual Holding Company. If for any reason the Converted Stock Company becomes subject to any delinquency proceedings under Chapter 26.1-06.1 of the Century Code of North Dakota, substantially all of the assets of the Mutual Holding Company will be available for the benefit of the Converted Stock Company and the Policyholders. To assure that the assets of the Mutual Holding Company will be so available for any such delinquency proceedings, on the Effective Date, the Mutual Holding Company and the Converted Stock Company will enter into a Pledge and Security Agreement (the form of which shall be approved by the Department) whereby the Mutual Holding Company will assign, pledge and grant to the Converted Stock Company a security interest in substantially all of its assets now owned or thereafter acquired, including all of the shares of the Stock Holding Company acquired by the Mutual Holding Company. In addition, at any time and from time to time that the Board of Directors of the Mutual Holding Company determines that the Mutual Holding Company has an accumulation of earnings in excess of the funds that may be needed to pay the expenses and obligations of the Mutual Holding Company as they become due and payable, the Board of Directors of the Mutual Holding Company will direct that any such excess shall be contributed to the surplus of the Converted Stock Company and be used for the benefit of the Converted Stock Company and its Policyholders in a manner as determined by the Board of Directors of the Converted Stock Company.

6.6. Amendment of Plan; Withdrawal of Plan. At any time before approval of the Plan by the Commissioner, the Board of Directors of the Company, by affirmative vote of not less than two-thirds of its members, may amend or withdraw this Plan. No Person shall have any rights or claims against the Company or its Board of Directors based on withdrawal of this Plan.

6.7. Corrections. The Company may, until the Effective Date, by an instrument executed by its Chairman of the Board, President, Executive Vice President and Chief Executive Officer, Chief Financial Officer, Vice Chairman of the Board, or any Vice President, attested by its Secretary or Assistant Secretary under the Company's corporate seal and submitted to the Department, make such modifications as are appropriate to correct errors, clarify existing items or make additions to correct manifest omissions in this Plan, including the Exhibits hereto. The Company may in the same manner also make such modifications as may be required by the Department after the filing of the application for review and approval of this Plan as a condition of approval of the Conversion.

6.8. Costs and Expenses. All costs and expenses incurred in connection with this Plan shall be paid either by the Company or the Converted Stock Company.

6.9. Limitation on Actions. Any action challenging the validity of or arising out of any act taken or proposed to be taken under the Conversion Law or this Plan must be commenced on or before the later of (i) sixty (60) days after approval of the Plan by the Commissioner, and (ii) within thirty (30) days after the notice of the Members Meeting is first mailed to Voting Members.

6.10. Governing Law. The terms of this Plan shall be governed by and construed in accordance with the laws of the State of North Dakota.

6.11. Headings. Article and Section headings contained in this Plan are for convenience only, and shall not be considered in construing or interpreting any of the provisions hereof.

6.12. Recitals. The Recitals are a general expression of the concepts of this Plan. They are not, and shall not be construed to be, a substantive part of this Plan except for definitions included therein.

IN WITNESS WHEREOF, Nodak Mutual Insurance Company, by the authority of its Board of Directors, has caused this Plan to be signed by its Executive Vice President and Chief Executive Officer and attested by its Chief Financial Officer and Secretary on January 21, 2016.

NODAK MUTUAL INSURANCE  
COMPANY

By: /s/ Michael J. Alexander  
Michael J. Alexander  
Executive Vice President and Chief Executive Officer

ATTEST:

/s/ Brian R. Doom  
Brian R. Doom  
Secretary/Treasurer and Chief Financial Officer

**ARTICLES OF INCORPORATION  
OF  
NI HOLDINGS, INC.**

FIRST. The name of the Corporation is NI Holdings, Inc. (the "Corporation")

SECOND. The location and mailing address of the Corporation's principal executive office and registered office is 1101 1<sup>st</sup> Avenue North, Fargo, North Dakota 58102. The registered agent at this address is Michael J. Alexander.

THIRD. The Corporation is incorporated under the North Dakota Business Corporation Act, as amended (the "Business Corporation Act"). The purpose of the Corporation is, and it shall have unlimited power to engage in and to do, any lawful act concerning any or all lawful business for which corporations may be incorporated under provisions of the Business Corporation Act.

FOURTH. The term of the Corporation's existence is perpetual.

FIFTH. The aggregate number of shares of capital stock that the Corporation shall have authority to issue is thirty million (30,000,000) shares, divided into two classes consisting of twenty-five million (25,000,000) shares of common stock, par value \$0.01 per share ("Common Stock") and five million (5,000,000) shares of preferred stock, without par value ("Preferred Stock"). Any or all classes of shares of the Corporation, or any part thereof, may be represented by uncertificated shares to the extent determined by the Board of Directors, except that shares represented by a certificate that is issued and outstanding shall be represented thereby until the certificate is surrendered to the Corporation. Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send to the registered owner of such shares a written notice required by Section 10-19.1-66 of the Business Corporation Act.

SIXTH. The Preferred Stock may be issued from time to time as a class without series or, if so determined by the board of directors of the Corporation, either in whole or in part, in one or more series. There is hereby expressly granted to and vested in the board of directors of the Corporation authority to fix and determine (except as fixed and determined herein), by resolution, the par value, voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, if any, and the qualifications, limitations or restrictions thereof, if any, including specifically, but not limited to, the dividend rights, conversion rights, redemption rights and liquidation preferences, if any, of any wholly unissued series of Preferred Stock (or the entire class of Preferred Stock if none of such shares have been issued), the number of shares constituting any such series and the terms and conditions of the issue thereof. Prior to the issuance of any shares of Preferred Stock, a statement setting forth a copy of each such resolution or resolutions and the number of shares of Preferred Stock of each such class or series shall be executed and filed in accordance with the Business Corporation Act. Unless otherwise provided in any such resolution or resolutions, the number of shares of capital stock of any such class or series so set forth in such resolution or resolutions may thereafter be increased or decreased (but not below the number of shares then outstanding), by a statement likewise executed and filed setting forth a statement that a specified increase or decrease therein had been authorized and directed by a resolution or resolutions likewise adopted by the board of directors of the Corporation. In case the number of such shares shall be decreased, the number of shares so specified in the statement shall resume the status they had prior to the adoption of the first resolution or resolutions.

SEVENTH. Each holder of record of Common Stock shall have the right to one vote for each share of Common Stock standing in such holder's name on the books of the Corporation. No shareholder shall be entitled to cumulate any votes for the election of directors.

EIGHTH. The management, control and government of the Corporation shall be vested in a board of directors consisting of not less than three (3) nor more than fifteen (15) members in number, as fixed by the board of directors of the Corporation from time to time. The directors of the Corporation shall be divided into three classes: Class I, Class II and Class III. Each Class shall be as nearly equal in number as possible. If the number of Class I, Class II or Class III directors is fixed for any term of office, it shall not be increased during that term, except by a majority vote of the board of directors. The term of office of the initial Class I directors shall expire at the annual election of directors by the shareholders of the Corporation in 2017; the term of office of the initial Class II directors shall expire at the annual election of directors by the shareholders of the Corporation in 2018; and the term of office of the initial Class III directors shall expire at the annual election of directors by the shareholders of the Corporation in 2019. After the initial term of each Class, the term of office of each Class shall be three (3) years, so that the term of office of one class of directors shall expire each year when their respective successors have been duly elected by the shareholders and qualified. At each annual election by the shareholders of the Corporation, the directors chosen to succeed those whose terms then expire shall be identified as being of the same class as the directors they succeed. If, for any reason, a vacancy occurs on the board of directors of the Corporation, a majority of the remaining directors shall have the exclusive power to fill the vacancy by electing a director to hold office for the unexpired term in respect of which the vacancy occurred. No director of the Corporation shall be removed from office, as a director, by the vote of shareholders, unless the votes of shareholders cast in favor of the resolution for the removal of such director constitute at least a majority of the votes which all shareholders would be entitled to cast at an annual election of directors.

NINTH. No holder of any class of capital stock of the Corporation shall have preemptive rights, and the Corporation shall have the right to issue and to sell to any person or persons any shares of its capital stock or any option, warrant or right to acquire capital stock, or any securities having conversion or option rights, without first offering such shares, rights or securities to any holder of any class of capital stock of the Corporation.

TENTH. Except as set forth below, the affirmative vote of shareholders entitled to cast at least eighty percent (80%) of the votes which all shareholders of the Corporation are entitled to cast, and if any class of shares is entitled to vote as a separate class, the affirmative vote of shareholders entitled to cast at least a majority of the votes entitled to be cast by the outstanding shares of such class (or such greater amount as required by the provisions of these Articles of Incorporation establishing such class) shall be required to approve any of the following:

(a) any merger or consolidation of the Corporation with or into any other corporation;

(b) any share exchange in which a corporation, person or entity acquires the issued or outstanding shares of capital stock of the Corporation pursuant to a vote of shareholders;

(c) any sale, lease, exchange or other transfer of all, or substantially all, of the assets of the Corporation to any other corporation, person or entity; or

(d) any transaction similar to, or having similar effect as, any of the foregoing transactions.

An affirmative vote as provided in the foregoing provisions shall be, to the extent permitted by law, in lieu of the vote of the shareholders otherwise required by law.

The board of directors of the Corporation shall have the power and duty to determine, for purposes of this Article TENTH, on the basis of information known to the board, if any transaction is similar to, or has an effect similar to, any of the transactions identified above in this Article TENTH. Any such determination shall be conclusive and binding for all purposes of this Article TENTH.

The Corporation may voluntarily completely liquidate and/or dissolve only in accordance with all applicable laws and only if the proposed liquidation and/or dissolution is approved by the affirmative vote of shareholders entitled to cast at least eighty percent (80%) of the votes which all shareholders are entitled to cast.

The provisions of this Article TENTH shall not apply to any transaction which is approved in advance by at least two-thirds of the members of the board of directors of the Corporation, at a meeting duly called and held.

#### ELEVENTH.

Subsection 1. Except for Nodak Mutual Group, Inc., no Person or Group Acting in Concert shall Acquire Voting Control of the Corporation, at any time, except in accordance with the provisions of this Article ELEVENTH. The terms "Acquire," "Voting Control," "Group Acting in Concert," and "Person" as used in this Article ELEVENTH are defined in Subsection 4 hereof.

Subsection 2. If Voting Control of the Corporation is acquired in violation of this Article ELEVENTH, all shares with respect to which any Person or Group Acting in Concert has acquired Voting Control in excess of the number of shares the beneficial ownership of which is deemed under Subsection 4 hereof to confer Voting Control of the Corporation (as determined without regard to this Subsection 2) shall be considered from and after the date of acquisition by such Person or Group Acting in Concert to be "excess shares" for purposes of this Article ELEVENTH. All shares deemed to be excess shares shall thereafter no longer be entitled to vote on any matter or to take other shareholder action. If, after giving effect to the first two sentences of this Subsection 2, any Person or Group Acting in Concert still shall be deemed to be in Voting Control of the Corporation based on the number of votes then entitled to be cast (rather than the number of issued and outstanding shares of common stock of the Corporation), then shares held in excess of the number of shares deemed to confer Voting Control upon such Person or Group Acting in Concert also shall not be entitled to vote on any matter or take any other shareholder action, but this subsequent reduction in voting rights shall be effected only once. The provisions of this Subsection 2 deeming shares to be excess shares shall only apply for so long as such shares shall be beneficially owned by such Person or Group Acting in Concert who has acquired Voting Control. Notwithstanding the foregoing, shares held in excess of the number of shares the beneficial ownership of which would otherwise be deemed under Subsection 4 to confer Voting Control of the Corporation shall not be deemed to be excess shares if such shares are held by a Qualified Stock Plan.

Subsection 3. The provisions of this Article ELEVENTH shall be of no further force and effect after the consummation of a transaction in which another Person Acquires shares of capital stock of the Corporation entitled to cast eighty percent (80%) or more of the votes which all shareholders are entitled to cast (as determined without regard to the application of this Article ELEVENTH) and such transaction was approved in advance by two-thirds of the members of the board of directors of the Corporation.

Subsection 4. For purposes of this Article ELEVENTH:

(a) The term “Acquire” includes every type of acquisition, whether effected by purchase, exchange, operation of law or otherwise.

(b) “Voting Control” means the sole or shared power to vote or to direct the voting of, or to dispose or to direct the disposition of, more than ten percent (10%) of the issued and outstanding shares of common stock of the Corporation; provided that (i) the solicitation, holding and voting of proxies obtained by the board of directors of the Corporation pursuant to a solicitation under Regulation 14A of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) shall not constitute Voting Control, (ii) a Qualified Stock Plan that holds more than ten percent (10%) of the voting shares of the Corporation shall not be deemed to have Voting Control of the Corporation, and (iii) any trustee, member of any administrative committee or employee beneficiary of a Qualified Stock Plan shall not be deemed to have Voting Control of the Corporation either (A) as a result of their control of a Qualified Stock Plan, and/or their beneficial interest in voting shares held by a Qualified Stock Plan, or (B) as a result of the aggregation of both their beneficial interest in voting shares held by a Qualified Stock Plan and voting shares held by such trustee, administrative committee member or employee beneficiary independent of a Qualified Stock Plan.

(c) “Group Acting in Concert” includes Persons (i) knowingly participating in a joint activity or interdependent conscious parallel action toward a common goal whether or not pursuant to an express agreement; or (ii) seeking to combine or pool their voting or other interests in the voting shares for a common purpose, pursuant to any contract, understanding, relationship, agreement or other arrangement, whether written or otherwise, provided, that a “Group Acting in Concert” shall not include (i) the members of the board of directors of the Corporation solely as a result of their board membership, (ii) the members of the board of directors of the Corporation as a result of their solicitation, holding and voting of proxies obtained by them pursuant to a solicitation subject to rules and regulations promulgated under the Exchange Act or any successor statute or (iii) any member or all the members of the board of directors of the Corporation, and (iv) any Qualified Stock Plan and the trustees, administrative committee members and employee beneficiaries thereof.

(d) The term “Person” includes an individual, a Group Acting in Concert, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, an unincorporated organization, or any similar entity, syndicate or any other group formed for the purpose of acquiring, holding or disposing of the equity securities of the Corporation.

(e) The term “Qualified Stock Plan” means any defined benefit plan or defined contribution plan of the Corporation, such as an employee stock ownership plan, stock bonus plan, profit sharing plan or other plan that, with its related trust, meets the requirements to be “qualified” under Section 401 of the Internal Revenue Code of 1986, as amended.

Subsection 5. This Article ELEVENTH shall not apply to the purchase of securities of the Corporation by underwriters in connection with a public offering of such securities by the Corporation or by a holder of shares of capital stock of the Corporation with written consent of at least two-thirds of the members of the board of directors of the Corporation; provided, however, that purchasers of securities of the Corporation from any underwriter shall be subject to the provisions of this Article ELEVENTH.



Subsection 6. The board of directors of the Corporation shall have the power and duty to determine, for purposes of this Article ELEVENTH, on the basis of information known to the Board, if and when such other Person has acquired Voting Control of the Corporation, and/or if any transaction is similar to, or has a similar effect as, any of the transactions identified in this Article ELEVENTH. Any such determination shall be conclusive and binding for all purposes of this Article ELEVENTH.

TWELFTH. During any period in which Nodak Mutual Group, Inc. holds at least a majority of the outstanding shares of Common Stock, shareholders may approve by written consent any action that could be taken at a meeting of shareholders of the Corporation, provided that such written consent is executed by shareholders who own of record shares having the right to cast the number of votes required to approve such action at a meeting of shareholders of the Corporation. Except as provided in the first sentence of this Article Twelfth, no action required to be taken or which may be taken at any annual or special meeting of shareholders of the Corporation may be taken without a meeting, and the power of the shareholders of the Corporation to consent in writing to action without a meeting is specifically denied. The presence, in person or by proxy, of shareholders entitled to cast at least a majority of the votes which all shareholders are entitled to cast shall constitute a quorum of shareholders at any annual or special meeting of shareholders of the Corporation.

THIRTEENTH. Except as required by applicable law, the authority to make, amend, alter, change or repeal the Bylaws of the Corporation is hereby expressly and solely granted to and vested in the board of directors of the Corporation, subject always to the power of the shareholders to change such action by the affirmative vote of shareholders of the Corporation entitled to cast at least sixty-six and two-thirds percent (66  $\frac{2}{3}$ %) of the votes which all shareholders are entitled to cast, except that provisions of the Bylaws of the Corporation relating to limitations on directors' liabilities and indemnification of directors, officers and others may not be amended to increase the exposure to liability for directors or to decrease the indemnification of directors, officers and others except by the affirmative vote of at least sixty-six and two-thirds percent (66  $\frac{2}{3}$ %) of the entire board of directors or by the affirmative vote of shareholders of the Corporation entitled to cast at least eighty percent (80%) of the votes which all shareholders are entitled to cast.

FOURTEENTH. The board of directors of the Corporation, when evaluating any offer of another party to (a) make a tender or exchange offer for any equity security of the Corporation, (b) merge or consolidate the Corporation with another corporation, (c) purchase or otherwise acquire all or substantially all of the properties and assets of the Corporation, or (d) engage in any transaction similar to, or having similar effects as, any of the foregoing transactions, may, in connection with the exercise of its judgment in determining what is in the best interests of the Corporation and its shareholders, give due consideration to all relevant factors, including without limitation (i) the social and economic effects of the proposed transaction on the policyholders, employees, suppliers and other constituents of the Corporation and its subsidiaries and on the communities in which the Corporation and its subsidiaries operate or are located, (ii) the business reputation of the other party, and (iii) the board of directors' evaluation of the then value of the Corporation in a freely negotiated sale and of the future prospects of the Corporation as an independent entity.

FIFTEENTH. If any corporation, person, entity, or group becomes the beneficial owner, directly or indirectly, of shares of capital stock of the Corporation having the right to cast in the aggregate thirty-five percent (35%) or more of all votes entitled to be cast by all issued and outstanding shares of capital stock of the Corporation entitled to vote, such corporation, person, entity or group shall within thirty (30) days thereafter offer to purchase all shares of capital stock of the Corporation issued, outstanding and entitled to vote. Such offer to purchase shall be at a price per share equal to the highest price paid for shares of the respective class or series of capital stock of the Corporation purchased by such corporation, person, entity or group within the preceding twelve (12) months. If such corporation, person, entity or group did not purchase any shares of a particular class or series of capital stock of the Corporation within the preceding twelve (12) months, such offer to purchase shall be at a price per share equal to the fair market value of such class or series of capital stock on the date on which such corporation, person, entity or group becomes the beneficial owner, directly or indirectly, of shares of capital stock of the Corporation having the right to cast in the aggregate twenty-five percent (25%) or more of all votes entitled to be cast by all issued and outstanding shares of capital stock of the Corporation. Such offer shall provide that the purchase price for such shares shall be payable in cash.

The provisions of this Article FIFTEENTH shall not apply to Nodak Mutual Group, Inc. and shall not apply to any corporation, person, entity, or group if at least two-thirds of the members of the board of directors of the Corporation approve in advance the acquisition of beneficial ownership by such corporation, person, entity or group, of shares of capital stock of the Corporation having the right to cast in the aggregate thirty-five percent (35%) or more of all votes entitled to be cast by all issued and outstanding shares of capital stock of the Corporation.

SIXTEENTH. The Corporation reserves the right to amend, alter, change or repeal any provision contained in its Articles of Incorporation in the manner now or hereafter prescribed by statute and all rights conferred upon shareholders and directors herein are hereby granted subject to this reservation; provided, however, that the provisions set forth in Articles SEVENTH through NINETEENTH, inclusive, of these Articles of Incorporation may not be repealed, altered or amended, in any respect whatsoever, unless such repeal, alteration or amendment is approved by either (a) the affirmative vote of shareholders of the Corporation entitled to cast at least eighty percent (80%) of the votes which all shareholders of the Corporation are then entitled to cast, or (b) the affirmative vote of at least two-thirds of the members of the board of directors of the Corporation and the affirmative vote of shareholders of the Corporation entitled to cast at least a majority of the votes which all shareholders of the Corporation are then entitled to cast.

SEVENTEENTH. Chapter 10-35 of the North Dakota Century Code (also known as the "North Dakota Publicly Traded Corporations Act") shall **not** be applicable to the Corporation.

EIGHTEENTH. A special meeting of the shareholders of the Corporation may be called only by: (i) the Chief Executive Officer, (ii) the Executive Committee of the Board of Directors, or (iii) two-thirds of the members of the board of directors of the Corporation.

NINETEENTH. To the fullest extent permitted by North Dakota law, a Director of this Corporation shall not be personally be liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a Director. Neither the amendment, modification nor repeal of this Article nor the adoption of any provision in these Articles of Incorporation inconsistent with this Article shall adversely affect any right or protection of a Director of the Corporation with respect to any act or omission that occurred prior to the time of such amendment, modification, repeal or adoption.

TWENTIETH. The Board of Directors of the Corporation may take any action that could be taken at a meeting of the Board of Directors by written consent, provided that such consent is executed by the number of directors required to approve such action at a meeting of the Board of Directors.

TWENTY-FIRST. The fiscal year of the Corporation shall begin on January 1 and shall end on December 31 of each year.

TWENTY-SECOND. The name and address of the incorporator is Michael J. Alexander, 1101 1<sup>st</sup> Avenue North, Fargo, North Dakota 58102.

IN TESTIMONY WHEREOF, the undersigned has signed these Amended and Restated Articles of Incorporation this \_\_\_\_ day of \_\_\_\_\_, 2016.

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Michael J. Alexander, Incorporator

**BYLAWS**  
**OF**  
**NI HOLDINGS, INC.**

**Article I**

**Meetings of Shareholders**

Section 1.1. Annual Meetings. The regular annual meeting of the shareholders for the election of directors and the transaction of whatever other business may properly come before the meeting, shall be held at the main office of the Corporation, 1101 1<sup>st</sup> Avenue, Fargo, North Dakota, at 10:00 a.m., on the 4th Tuesday of May of each year, or at such other place on such date and at such time as the board of directors may in their discretion determine. The Chairperson of the Board shall preside at the annual meeting. Written notice stating the place, day, and hour of the meeting and, in case of a special meeting, the general nature of the business to be transacted, shall be delivered not less than five (5) nor more than fifty (50) days before the date of the meeting, or in case of a merger or consolidation not less than ten (10) nor more than fifty (50) days before the date of the meeting, either personally or by mail, by or at the direction of the President and Chief Executive Officer, or the Secretary, or the officer or persons calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the shareholder at his address as it appears on the books of the Corporation or as supplied by him to the Corporation for the purpose of notice, with postage thereon prepaid.

Section 1.2. Special Meetings. Special meetings of the shareholders may be called only in accordance with the Articles of Incorporation of the Corporation. Upon written request to the President and Chief Executive Officer or the Secretary, sent by registered mail or delivered to such officer in person, of any person or persons entitled to call a special meeting of the shareholders, it shall be the duty of the Secretary to fix the time of the meeting, which shall be held not more than sixty (60) days after the receipt of the request, and shall give due notice thereof.

Section 1.3. Nominations for Directors. Nominations for election to the board of directors may be made by the board of directors or by any shareholder of any outstanding class of capital stock of the Corporation entitled to vote for the election of directors. Nominations, other than those made by or on behalf of the board of directors of the Corporation, or an appropriate committee thereof, shall be made in writing and shall be delivered or mailed by first class United States mail, postage prepaid, to the Chairperson of the Board not less than 90 days nor more than 120 days prior to any meeting of shareholders called for the election of directors. Each notice of nomination made by a shareholder shall set forth (i) the name, age, business address and, if known, residence address of each nominee proposed in such notice, (ii) the principal occupation or employment of each such nominee, (iii) the number of shares of capital stock of the Corporation that are beneficially owned by each such nominee, and (iv) any other information with respect to such nominee required to be included in a proxy statement soliciting proxies for the election of directors under the rules and regulations of the United States Securities and Exchange Commission. The chairperson of the meeting may, if the facts warrant, determine and declare that a nomination was not made in accordance with the foregoing procedure, and such nomination shall be disregarded.

Section 1.4. Agenda for Shareholder Meetings. Matters to be placed on the agenda for consideration at annual meetings of shareholders may be proposed by the board of directors or by any shareholder entitled to vote for the election of directors. Matters to be placed on the agenda for consideration at special meetings of shareholders may be proposed only by the board of directors. Matters proposed for the annual meeting agenda by shareholders entitled to vote for the election of directors shall be made by notice in writing, delivered or mailed by first class United States mail, postage prepaid, to the Secretary of the Corporation not less than ninety (90) days nor more than one hundred and fifty (150) days prior to any annual meeting of shareholders; *provided, however*, that if less than twenty-one (21) days' notice of the meeting is given to shareholders, a shareholder's written notice of a proposed matter shall be delivered or mailed, as prescribed, to the Secretary of the Corporation not later than the close of the seventh day following the day on which notice of the meeting was mailed to shareholders. Notice of matters which are proposed by the board of directors shall be given by the Chairperson of the Board or any other appropriate officer. Each notice given by a shareholder shall set forth a brief description of the business desired to be brought before the annual meeting. The chairperson of the meeting of shareholders may, if the facts warrant, determine and declare to the meeting that a matter proposed for the agenda was not made in accordance with the foregoing procedure, and if the chairperson should so determine, he or she shall so declare to the meeting and the matter shall be disregarded.

Section 1.5. Election. Except as otherwise provided in the Articles of Incorporation or these Bylaws, directors of the Corporation shall be elected by the shareholders. In elections for directors, voting need not be by ballot unless required by vote of the shareholders before the voting for election of directors begins. The candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected.

Section 1.6. Proxies. Shareholders may vote at any meeting of the shareholders in person, or by proxy. Every proxy shall be executed in writing, or authenticated by the shareholder, or by their duly authorized attorney-in-fact and filed with or transmitted to the Secretary of the Corporation or its designated agent. A shareholder or their duly authorized attorney-in-fact may execute or authenticate a writing or transmit an electronic message authorizing another person to act for the shareholder by proxy. A telegram, telex, cablegram, datagram, e-mail, Internet communication or similar other means of electronic transmission from a shareholder or attorney-in-fact, or a photographic, facsimile or similar reproduction of a writing executed by a shareholder or attorney-in-fact may be treated as properly executed or authenticated. If the Corporation conducts voting by e-mail or other similar electronic transmission, the Corporation shall furnish to those shareholders voting by e-mail or other similar electronic transmission, a confidential and unique identification number or other type of mark to be used by the shareholder to vote at a particular meeting or transaction. Proxies, unless otherwise provided, shall be valid for only the meeting specified therein, and any adjournments of such meeting. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy. Proxies shall be dated and shall be filed with the records of the meeting.

Section 1.7. Quorum. A majority of the outstanding shares of capital stock entitled to vote, represented in person or by proxy, shall constitute a quorum at any meeting of shareholders, unless otherwise provided by law; but less than a quorum may adjourn any meeting, from time to time, and the meeting may be held, as adjourned, without further notice. A majority of the votes cast shall decide every question or matter submitted to the shareholders at any meeting at which a quorum is present, unless otherwise provided by law or by the Articles of Incorporation.

Section 1.8. Voting. Only persons in whose names shares appear on the share transfer books of the Corporation on the date on which notice of the meeting is mailed shall be entitled to vote at such meeting, unless some other date is fixed by the board of directors for the determination of shareholders of record, but such date shall not be less than ten (10) nor more than fifty (50) days before the date of the meeting. Unless otherwise provided in the Articles of Incorporation, every shareholder of the Corporation shall be entitled to one vote for each share outstanding.

## **Article II**

### **Directors**

Section 2.1. Board of Directors. The board of directors shall have the power to manage and administer the business and affairs of the Corporation. Except as expressly limited by law or required or directed by these Bylaws or by the Articles of Incorporation to be exercised by the shareholders, all corporate powers of the Corporation shall be vested in and may be exercised by the board of directors.

Section 2.2. Chairperson of the Board. The Chairperson of the board of directors of the Corporation shall preside at all meetings of the shareholders and of the directors at which he or she is present, and shall have such authority and perform such other duties as the board of directors may from time to time designate.

Section 2.3. Vice Chairperson. In the absence of the Chairperson of the Board, the Vice Chairperson shall preside at all meetings of the shareholders and of the directors at which he or she is present, and shall have such authority and perform such other duties as the board of directors may from time to time designate.

Section 2.4. Number, Selection and Term of Office. The board of directors of the Corporation shall consist of at least three (3) and not more than fifteen (15) directors, the exact number to be set from time to time by resolution of the board of directors. Each director shall be a natural person of full age and at least a majority of the directors shall be persons who are: (i) not employees of the Corporation or of any entity controlling, controlled by or under common control with the Corporation, and (ii) otherwise independent within the meaning of any applicable statute or any listing requirement of a stock exchange or over the counter market on which any security of the Corporation is admitted for trading. A director having the attributes set forth in (i) and (ii) shall hereinafter be deemed an Independent Director. Each director shall hold office until the expiration of the term for which he or she was selected and until a successor has been selected and qualified or until his or her earlier death, resignation or removal. A decrease in the number of directors shall not have the effect of shortening the term of any incumbent director. The President and Chief Executive Officer shall be a member of the Corporation's Board of Directors.

Section 2.5. Vacancies. Vacancies in the board of directors shall exist in the case of the happening of any of the following events: (i) the death or resignation of any director; (ii) if at any annual or special meeting of the shareholders at which directors are to be elected, the shareholders fail to elect the full authorized number of directors to be voted for at that meeting; (iii) an increase in the number of directors by resolution of the board of directors; (iv) the removal of a director by the affirmative vote of shareholders of the corporation in accordance with the Articles of Incorporation of the Corporation; or (v) the removal of a director by the board of directors or a court of competent jurisdiction in accordance with these Bylaws or otherwise in accordance with law. Vacancies in the board of directors, including vacancies resulting from an increase in the number of directors, may be filled by a majority vote of the remaining members of the board though less than a quorum, or by a sole remaining director, and each person so selected shall be a director to serve for the balance of the unexpired term and until his or her successor has been selected and qualified or until his or her earlier death, resignation or removal.

Section 2.6. Regular Meetings. The board of directors of the Corporation shall hold an annual meeting for the election of officers and the consideration of other proper business either as soon as practical after, and at the same place as, the annual meeting of shareholders of the Corporation, or at such time and place as may be fixed by the board of directors. No notice of regular meetings need be given.

Section 2.7. Special Meetings. Special meetings of the board of directors may be called by the Chairperson of the Board, the Vice Chairperson, the President and Chief Executive Officer, or at the request of three (3) directors, to be held at the principal place of business of the Corporation or such other place as designated by the person or persons calling such special meeting. Each member of the board of directors shall be given notice stating the time and place, by telephone, email, telegram, facsimile transmission, letter, or in person, of each such special meeting.

Section 2.8. Executive Sessions. Members of the board of directors who are Independent Directors shall meet in executive session at least twice a year. No notice of executive sessions need be given.

Section 2.9. Quorum. A majority of directors shall constitute a quorum at any meeting, except when otherwise provided by law; but a lesser number may adjourn any meeting, from time to time, and the meeting may be held, as adjourned, without further notice.

Section 2.10. Remuneration. No stated fee shall be paid to directors for their services, but by resolution of the board of directors a fixed sum and expenses of attendance, if any, may be paid for attendance at each regular or special meeting of the board of directors; *provided*, that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefore. Members of standing or special committees may be compensated for attending committee meetings.

Section 2.11. Action by Directors Without a Meeting. Any action which may be taken at a meeting of the directors, or of a committee thereof, may be taken without a meeting if consent or consents shall be signed by such number of the directors as is required to approve such action at a meeting of the board of directors, or a majority of the members of the committee, as the case may be. Such consent shall have the same effect as a vote taken at a duly called meeting at which a quorum is present.

Section 2.12. Action of Directors by Communications Equipment. With the prior approval of the Chairperson of the Board, any action which may be taken at a meeting of directors, or of a committee thereof, may be taken by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time.

Section 2.13. Minutes. The board of directors and each committee hereinafter provided for shall keep minutes of its meetings. Minutes of the committees shall be submitted at the next regular meeting of the board of directors, and any action taken with respect thereto shall be entered in the minutes of the board of directors.

### **Article III**

#### **Committees of the Board**

Section 3.1. Committees. The board of directors may, by resolution adopted by a majority of the directors in office, establish one or more committees. Each committee shall consist of at least two (2) members of the board of directors. The board may designate one or more directors as alternate members of any committee who may replace any absent or disqualified member at any meeting of the committee or for purposes of any written action of the committee.

A committee, to the extent provided in the resolution of the board of directors creating it, shall have and may exercise all of the powers and authority of the board of directors except that a committee shall not have any power or authority regarding: (i) the submission to shareholders of any action requiring the approval of shareholders under the North Dakota Business Corporation Act, as it may be amended, (ii) the creation or filling of vacancies in the board of directors, (iii) the adoption, amendment or repeal of these bylaws, and (iv) any action on matters committed by the bylaws or resolution of the board of directors to another committee of the board of directors.

Section 3.2. Audit Committee. There shall be a standing committee of the board of directors to be known as the Audit Committee. The members of the Audit Committee shall consist exclusively of Independent Directors. The Audit Committee shall: (i) engage the independent accountants for the Corporation, (ii) review with the independent accountants the scope of their examination, (iii) receive the reports of the independent accountants and meet with the representatives of such accountants for the purpose of reviewing and considering questions relating to their examination and such reports, (iv) review the internal accounting and auditing procedures of the corporation, and (v) perform such other duties as may be deemed necessary from time to time to fulfill its obligations under applicable law and the listing requirements of any stock exchange or over the counter market on which any security of the Corporation is admitted for trading.



Section 3.3. Nominating and Corporate Governance Committee. There shall be a standing committee of the board of directors to be known as the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee shall consist exclusively of Independent Directors. The Nominating and Corporate Governance Committee shall nominate candidates for election as director and shall make recommendations to the board of directors with respect to qualifications of directors.

Section 3.4. Compensation Committee. There shall be a standing committee of the board of directors to be known as the Compensation Committee. The members of the Compensation Committee shall consist exclusively of Independent Directors. The Compensation Committee shall make recommendations to the board of directors with respect to the compensation of the executive officers of the Corporation.

#### **Article IV**

##### **Officers and Employees**

Section 4.1. Designations. The officers of the Corporation shall be the President and Chief Executive Officer, the Chief Financial Officer, the Treasurer, and the Secretary, who shall be elected for one year by the board of directors at their first meeting after the annual meeting of shareholders and who shall hold office until their successors are elected and qualify. Any two or more offices may be held by the same person, except the offices of Chairperson, Vice Chairperson, President and Chief Executive Officer, and Chief Financial Officer.

Section 4.2. The President and Chief Executive Officer. The President and Chief Executive Officer shall have general supervision of all departments and business of the Corporation, and shall prescribe the duties of other officers and see to the performance thereof. The President and Chief Executive Officer shall also have and may exercise such further powers and duties as from time to time may be conferred upon or assigned to him or her by the board of directors. The President and Chief Executive Officer shall report directly to the board of directors of the Corporation.

The President and Chief Executive Officer shall have and may exercise any and all powers and duties pertaining by law, regulation, or practice to the office of President and Chief Executive Officer or imposed by these Bylaws. The President and Chief Executive Officer shall also have and may exercise such further powers and duties as from time to time may be conferred upon or assigned to him or her by the board of directors.

Section 4.3. Chief Financial Officer. The Chief Financial Officer shall have general supervision of the fiscal affairs of the Corporation. The Chief Financial Officer shall, with the assistance of the President and Chief Executive Officer, and the managerial staff of the Corporation: (a) see that a full and accurate accounting of all financial transactions is made; (b) invest and reinvest the capital funds of the Corporation in such manner as may be directed by the board of directors, unless that function shall have been delegated to a nominee or agent; (c) prepare any financial reports that may be requested from time to time by the board of directors; (d) cooperate in the conduct of any annual audit of the Corporation's financial records by certified public accountants duly appointed by the Audit Committee; and (e) in general perform all the usual duties incident to the office of Treasurer and such other duties as may be assigned to him or her by the board of directors or the President and Chief Executive Officer.

Section 4.4. Secretary. The board of directors shall appoint a secretary, who shall be the Secretary of the board of directors and of the Corporation, and shall keep accurate minutes of meetings. The Secretary shall attend to the giving of all notices required by these Bylaws to be given. The Secretary shall be the custodian of the corporate seal (if any), records, documents and papers of the Corporation. The Secretary shall have and may exercise any and all other powers and duties pertaining by law, regulation or practice to the office of Secretary or imposed by these Bylaws. The Secretary shall perform such other duties as may be assigned to him or her from time to time by the board of directors.

Section 4.5. Other Officers. The board of directors may appoint one or more Vice Presidents, one or more Assistant Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers found necessary for the orderly transaction of business. Such officers shall respectively exercise such powers and perform such duties as pertain to the respective officers or as may be conferred upon or assigned to them by the board of directors or the President and Chief Executive Officer.

Section 4.6. Clerks and Agents. The board of directors may appoint, from time to time, such agents or employees as it may deem advisable for the prompt and orderly transaction of the business of the Corporation. The board of directors may also define their duties, fix their salaries and dismiss them. Subject to the authority of the board of directors, the President and Chief Executive Officer may appoint and dismiss all or any agents or employees, prescribe their duties and the conditions of their employment, and from time to time, fix their compensation.

Section 4.7. Tenure of Offices. All officers shall hold office for the current year for which the board of directors was elected, unless they shall resign, become disqualified, or be removed; and any vacancy occurring in the office of the President and Chief Executive Officer shall be filled by the board of directors. In the event that the President and Chief Executive Officer is unable to act, the board of directors shall meet forthwith upon the call of the Chairperson of the Board, the Vice Chairperson, or any three directors to appoint a successor or replacement.

Section 4.8. Termination of Officers. Any officer of the Corporation may be terminated by the board of directors with or without cause, but such termination shall be without prejudice to the contract rights, if any, of the person so terminated. Election or appointment of an officer shall not of itself create contract rights.

## Article V

### Authority of Officers

Section 5.1. Corporate Seal. If the Corporation adopts a corporate seal, the President and Chief Executive Officer, the Chief Financial Officer, any Vice President, and the Secretary shall each have authority to affix and attest the corporate seal of the Corporation.

Section 5.2. Other Powers. The President and Chief Executive Officer, the Chief Financial Officer, or any Vice President is authorized to perform such corporate and official acts as are necessary to carry on the business of the Corporation, subject to the directions of the board of directors.

The above-named officers are fully empowered, subject to policies and established board and/or committee approvals:

- (a) To sell, assign and transfer any and all shares of stock, bonds or other personal property standing in the name of the Corporation or held by the Corporation either in its own name or as agent;
- (b) To assign and transfer any and all registered bonds and to execute requests for payment or reissue of any such bonds that may be issued now or hereafter and held by the Corporation in its own right or as agent;
- (c) To sell at public or private sale, lease, mortgage or otherwise dispose of any real estate or interest therein held or acquired by the Corporation in its own right or as agent, and to execute and deliver any instrument necessary to completion of the transaction;
- (d) To receive and receipt for any sums of money or property due or owing to the Corporation in its own right or as agent and to execute any instrument of satisfaction therefore for any lien of record; and
- (e) To execute and deliver any deeds, contracts, agreements, leases, conveyances, bills of sale, petitions, writings, instruments, releases, acquittance and obligations necessary in the exercise of the corporate powers of the Corporation.

Section 5.3. Checks and Drafts. Each of the President and Chief Executive Officer, the Chief Financial Officer, and other employees, as may from time to time be designated by the board of directors, shall have the authority to sign checks, drafts, letters of credit, orders, receipts, and to endorse checks, bills of exchange, orders, drafts, and vouchers made payable or endorsed to the Corporation subject to the policies of the board of directors.

Section 5.4. Loans. Each of the President and Chief Executive Officer, the Chief Financial Officer, and any Vice President designated by the board of directors, acting in conjunction with any other of these designated officers may effect loans on behalf of the Corporation from any banking institution or other lender, executing notes or obligations and pledging assets of the Corporation therefor, subject to the policies of the board of directors.

## Article VI

Section 6.1. Limitation of Liability. To the fullest extent permitted by North Dakota Law, a director of the Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a director. No amendment, modification or repeal of this Section 6.1 nor the adoption of any provision inconsistent with this Section 6.1 shall adversely affect any right or protection of a director of the Corporation with respect to any act or omission that occurred prior to the time of such amendment, modification, repeal or adoption.

### Section 6.2. Indemnification.

(a) The Corporation shall defend and shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed claim, action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director or officer of the Corporation, or is or was serving, at the request of the Corporation, as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), amounts paid in settlement, judgments, and fines actually and reasonably incurred by such person in connection with such claim, action, suit or proceeding to the fullest extent permitted by North Dakota law.

(b) Advance of Expenses. Expenses (including attorneys' fees) incurred in defending a civil claim or a civil or criminal action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such claim, action, suit, or proceeding, upon receipt of a written statement by or on behalf of the director, officer, employee, or agent to repay such amount if it shall be ultimately determined that he or she is not entitled to be indemnified by the Corporation as authorized in this Article VI.

(c) Indemnification not Exclusive. The indemnification and advancement of expenses provided by this Article VI shall not be deemed exclusive of any other right to which persons seeking indemnification and advancement of expenses may be entitled under any agreement, vote of disinterested directors or otherwise, both as to actions in such persons' official capacity and as to their actions in another capacity while holding office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors, and administrators of such person.

(d) Insurance, Contracts, Security. The Corporation may purchase and maintain insurance on behalf of any person, may enter into contracts of indemnification with any person, and may create a fund of any nature which may, but need not be, under the control of a trustee for the benefit of any person, and may otherwise secure in any manner its obligations with respect to indemnification and advancement of expenses, whether arising under this Article VI or otherwise, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article VI.

Section 6.3. Effect of Amendment. Any repeal or modification of this Article VI shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director of the Corporation or any right of any person to indemnification from the Corporation with respect to any action or failure to take any action occurring prior to the time of such repeal or modification.

Section 6.4. Severability. If, for any reason, any provision of this Article VI shall be held invalid, such invalidity shall not affect any other provision not held so invalid, and each such other provision shall, to the full extent consistent with law, continue in full force and effect. If any provision of this Article VI shall be held invalid in part, such invalidity shall in no way affect the remainder of such provision, and the remainder of such provision, together with all other provisions of this Article VI, shall, to the full extent consistent with law, continue in full force and effect.

## **Article VII**

### **Stock and Stock Certificates**

Section 7.1. Transfers. Transfer of shares of stock of each class of the Corporation shall be made only on the books of the Corporation by the registered holder thereof, or by such holder's attorney thereunto authorized by a power of attorney duly executed and filed with the Secretary or transfer agent for such stock, if any, and if such shares are represented by a certificate, upon surrender of the certificates therefor, endorsed by the person named in the certificate or by his attorney, lawfully constituted in writing. No transfer shall be made which is inconsistent with law.

Section 7.2. Shares. The shares of the Corporation shall be represented by certificates, or shall be uncertificated shares that may be evidenced by a book entry system maintained by the registrar of such stock, or a combination of both. To the extent that shares are represented by certificates, such certificates shall be in such form as shall be approved by the board of directors and shall state: (i) that the Corporation is incorporated under the laws of the State of North Dakota, (ii) the name of the person to whom issued, and (iii) the number and class of shares and the designation of the series, if any, that the share certificate represents. The share register or transfer books and blank share certificates shall be kept by the Secretary or by any transfer agent or registrar designated by the board of directors for that purpose.

Section 7.3. Share Certificates. To the extent that shares are represented by certificates, such certificates shall be signed by the President and Chief Executive Officer and by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer, or by any one of their facsimile signatures, or in their absence by board-designated Officers and shall be signed by a transfer agent. The corporate seal shall appear on each share certificate and may be a facsimile, engraved or printed. In case any officer who has signed, or whose facsimile signature has been placed upon, any share certificate shall have ceased to be such officer because of death, resignation or otherwise, before the certificate is issued, it may be issued with the same effect as if the officer had not ceased to be such at the date of its issue. The provisions of this section shall be subject to any inconsistent or contrary agreement at the time between the Corporation and any transfer agent or registrar.

Section 7.4. Shares of Another Corporation. Shares owned by the Corporation in another corporation, domestic or foreign, shall be voted by the President and Chief Executive Officer or such other officer, agent or proxy as the board of directors may determine.

## **Article VIII**

### **Miscellaneous Provisions**

Section 8.1. Fiscal Year. The Fiscal Year of the Corporation shall be the calendar year. The Corporation shall be subject to an annual audit as of the end of its fiscal year by independent public accountants appointed by and responsible to the Audit Committee.

Section 8.2. Records. The Articles of Incorporation, the Bylaws and the proceedings of all meetings of shareholders, the board of directors, and standing committees of the board of directors, shall be recorded in appropriate minute books provided for the purpose. The minutes of each meeting shall be signed by the Secretary or other officer appointed to act as secretary of the meeting.

Section 8.3. Gender and Number. Where the context permits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

## **Article IX**

### **Bylaws**

Section 9.1. Inspection. A copy of the Bylaws, with all amendments thereto, shall at all times be kept in a convenient place at the main office of the Corporation, and shall be open for inspection to all shareholders during normal business hours.

Section 9.2. Amendments. The authority to make, amend, alter, change or repeal these Bylaws of the Corporation is solely granted to and vested in the board of directors of the Corporation, subject to the power of the shareholders to change any such action by the affirmative vote of shareholders of the Corporation entitled to cast at least sixty-six and two thirds percent (66 2/3%) of the votes which all shareholders are entitled to cast, except that Article Sixth of the Bylaws of the Corporation relating to limitations on directors' liabilities and indemnification of directors and officers may not be amended to increase the exposure to liability for directors or to decrease the indemnification of directors and officers except by the affirmative vote of sixty-six and two thirds percent (66 2/3%) of the entire board of directors or by the affirmative vote of shareholders of the Corporation entitled to cast at least eighty percent (80%) of the votes which all shareholders are entitled to cast.

CUSIP NO. \_\_\_\_\_

COMMON STOCK  
CERTIFICATE NO.

COMMON STOCK  
SHARES

**NI HOLDINGS, INC.  
ORGANIZED UNDER THE LAWS OF THE STATE OF NORTH DAKOTA**

[SPECIMEN]

is the owner of:

**FULLY PAID AND NONASSESSABLE SHARES OF COMMON STOCK,  
\$0.01 PAR VALUE, OF NI HOLDINGS, INC.  
a North Dakota corporation.**

The shares represented by this certificate are transferable only on the stock transfer books of NI Holdings, Inc. (the "Company") by the holder of record hereof, or by such holder's duly authorized attorney or legal representative, upon the surrender of this certificate properly endorsed. This certificate and the shares represented hereby are issued and shall be held subject to all the provisions contained in the Company's official corporate papers filed with the Department of State of the State of North Dakota (copies of which are on file with the Transfer Agent), to all of the provisions the holder by acceptance hereof assents.

This certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

**IN WITNESS WHEREOF, NI HOLDINGS, INC.** has caused this certificate to be executed by the signatures of its duly authorized officers and has caused its corporate seal to be hereunto affixed.

Dated:

[SEAL]

Treasurer and Chief Financial Officer

President and Chief Executive Officer

NI HOLDINGS, INC.

The shares represented by this certificate are subject to a limitation contained in the articles of incorporation (the "Articles") to the effect that except as provided therein no person or entity may acquire more than 10% of the issued and outstanding shares of common stock ("Voting Control") of the Company. If Voting Control of the corporation is acquired in violation of such limitation, all shares in excess of Voting Control shall be considered from and after the date of acquisition to be "excess shares", and all shares deemed to be excess shares shall no longer be entitled to vote on any matter or to take other shareholder action.

Preferred stock may be issued from time to time as a class without series or, if so determined by the board of directors of the Company, either in whole or in part, in one or more series. The board of directors of the Company has the authority to fix and determine, by resolution, the voting powers, full or limited, or no voting power, and such designations, preferences and relative, participating, optional, or other special rights, if any, and the qualifications, limitations, or restrictions thereof, if any, including specifically, but not limited to, the dividend rights, conversion rights, redemption rights and liquidation preferences, if any, of any wholly unissued series of preferred stock (or the entire class of preferred stock if none of such shares have been issued), the number of shares constituting any such series and the terms and conditions of the issue thereof. The Company will furnish to any shareholder upon request and without charge a full description of each class of stock and any series thereof.

The shares represented by this certificate may not be cumulatively voted in the election of directors of the Company. The Articles also require either (a) the affirmative vote of holders of at least eighty percent (80%) of the issued and outstanding shares of common stock of the Company entitled to vote or (b) the affirmative vote of sixty-six and two-thirds percent (66 2/3%) of the members of the board of directors of the Company and the affirmative vote of holders of at least a majority of the votes which all shareholders of the Company are then entitled to cast to amend provisions of the Articles with respect to the approval of certain transactions.

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The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common  
TEN ENT - as tenants by the entireties  
JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFTS MIN ACT - \_\_\_\_\_ custodian \_\_\_\_\_  
(Cust) (Minor)  
under Uniform Gifts to Minors Act  
\_\_\_\_\_  
(State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, \_\_\_\_\_ hereby sell, assign and transfer unto

**PLEASE INSERT SOCIAL SECURITY OR  
OTHER IDENTIFICATION NUMBER OF ASSIGNEE**

[ \_\_\_\_\_ ]

\_\_\_\_\_  
**Please print or typewrite name and address including postal zip code of assignee.**

\_\_\_\_\_ shares of the common stock represented by this certificate and do hereby irrevocably constitute and appoint \_\_\_\_\_, attorney, to transfer the said stock on the books of the within-named corporation with full power of substitution in the premises.

DATED \_\_\_\_\_

\_\_\_\_\_  
**NOTICE: The signature to this assignment must correspond with the name as written upon the face of the certificate in every particular without alteration or enlargement or any change whatever.**

**SIGNATURE GUARANTEED:**

\_\_\_\_\_  
**THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION, (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15**

## STEVENS &amp; LEE

LAWYERS &amp; CONSULTANTS

620 Freedom Business Center, Suite 200  
King of Prussia, PA 19406  
(610) 205-6000 Fax (610) 337-4374  
www.stevenslee.com

October 11, 2016

Board of Directors  
NI Holdings, Inc.  
1101 First Avenue North  
Fargo, ND 58102

Re: Conversion of Nodak Mutual Insurance Company to Stock Insurance Company

Ladies and Gentlemen:

We have been requested to provide this opinion concerning matters of U.S. federal income tax law in connection with (1) the proposed conversion of Nodak Mutual Insurance Company, a North Dakota domestic mutual insurance company ("Nodak") to a stock insurance company (the "Conversion") pursuant to the Plan of Mutual Property and Casualty Insurance Company Conversion and Minority Offering approved by the Board of Directors of Nodak on January 21, 2016 (the "Plan of Conversion"); and (2) the issuance of all of the capital stock of the converted Nodak to NI Holdings, Inc., a North Dakota corporation (the "Company") and the issuance of shares of common stock by the Company in an initial public offering in accordance with the Form S-1 Registration Statement filed by the Company on October 11, 2016 (the "S-1 Registration Statement"), and related exhibits thereto. This opinion is being provided solely in connection with the filing of the S-1 Registration Statement with the Securities and Exchange Commission.

For purposes of this opinion letter, capitalized words and phrases that are used but not defined herein shall have the meanings given to such terms in the Plan of Conversion.

For purposes of providing this opinion, we have examined and are relying upon (without any independent verification or review thereof) the truth and accuracy, at all relevant times, of the statements, covenants, representations and warranties contained in the following documents (including all schedules and exhibits thereto):

1. the S-1 Registration Statement;
2. the Officer's Certificate provided to us by Nodak; and
3. such other instruments and documents related to Nodak and the Company and the Plan of Conversion as we have deemed necessary or appropriate.

Philadelphia · Reading · Valley Forge · Allentown · Harrisburg · Lancaster · Scranton  
Wilkes-Barre · Princeton · Charleston · New York · Wilmington  
A PROFESSIONAL CORPORATION

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# STEVENS & LEE

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Board of Directors  
NI Holdings, Inc.  
October 11, 2016  
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In addition, in connection with providing this opinion, we have assumed (without any independent investigation thereof) that:

1. original documents (including signatures) are authentic; documents submitted to us as copies conform to the original documents; and there has been (or will be by the Effective Date) due execution and delivery of all documents where due execution and delivery are prerequisites to the effectiveness thereof;
2. any representation or statement referred to above made “to the best of knowledge” or otherwise similarly qualified is correct without such qualification, and all statements and representations, whether or not qualified, are true and will remain true through the Effective Date and thereafter where relevant; and
3. all transactions that are related or incidental to the Conversion will be consummated pursuant to the Plan of Conversion, and will be effective under the laws of the State of North Dakota and applicable federal and state insurance laws.

The opinion expressed herein is conditioned on the initial and continuing accuracy of the facts, information, representations and assumptions contained in the aforesaid documents or otherwise referred to above.

Based on the foregoing documents, materials, assumptions and information, and subject to the qualifications and assumptions set forth herein, if the Conversion is consummated in accordance with the provisions of the Plan of Conversion (and without any waiver, breach or amendment of any of the provisions thereof), it is our opinion that, under current law (i) the Conversion will constitute a “reorganization” within the meaning of Code Section 368(a), and (ii) the statements made regarding U.S. federal income tax consequences set forth in the S-1 Registration Statement under the heading “Certain Material United States Federal Income Tax Consequences,” insofar as they constitute statements of law or legal conclusions, are correct in all material respects.

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The opinion set forth above is based on the existing provisions of the Code, Treasury Regulations (including Temporary Treasury Regulations) promulgated under the Code, published Revenue Rulings, Revenue Procedures and other announcements of the Internal Revenue Service (the “Service”) and existing court decisions, any of which could be changed at any time. Any such changes might be retroactive with respect to transactions entered into prior to the date of such changes and could significantly modify the opinion set forth above. Nevertheless, we undertake no responsibility to advise you of any subsequent developments in the application, operation or interpretation of the U.S. federal income tax laws.

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# STEVENS & LEE

LAWYERS & CONSULTANTS

Board of Directors  
NI Holdings, Inc.  
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As you are aware, no ruling has been or will be requested from the Service concerning the U.S. federal income tax consequences of the Conversion or the Offering. In reviewing this letter, you should be aware that the opinion set forth above represents our conclusion regarding the application of existing U.S. federal income tax law to the instant transaction. If the facts vary from those relied upon (or if any representation, covenant, warranty or assumption upon which we have relied is inaccurate, incomplete, breached or ineffective), our opinion contained herein could be inapplicable in whole or in part. You should be aware that an opinion of counsel represents only counsel's best legal judgment, and has no binding effect or official status of any kind, and that no assurance can be given that contrary positions may not be taken by the Service or that a court considering the issues would not hold otherwise.

As stated above, this opinion is being delivered to the Board of Directors of the Company solely for the purpose of being included as an exhibit to the S-1 Registration Statement. We consent to the filing of this opinion as an exhibit to the S-1 Registration Statement and to the use of our name in the S-1 Registration Statement wherever it appears. In giving this consent, however, we do not hereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules or regulations promulgated thereunder

Very truly yours,

STEVENS & LEE

/s/ Stevens & Lee

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NI HOLDINGS, INC.  
STOCK INCENTIVE PLAN

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**NI HOLDINGS, INC.  
STOCK INCENTIVE PLAN**

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ARTICLE 1. PURPOSE OF THE PLAN; TYPES OF AWARDS

1.1 Purpose. The NI Holdings, Inc. Stock Incentive Plan, effective as of \_\_\_\_\_, 2016, is intended to provide selected employees and non-employee directors of NI Holdings, Inc. (the "Corporation") and its Subsidiaries (as hereinafter defined) with an opportunity to acquire Common Stock of the Corporation. The Plan is designed to help the Corporation attract, retain, and motivate employees and non-employee directors to make substantial contributions to the success of the Corporation's business and the businesses of its Subsidiaries. Awards made under the Plan are based upon, among other things, a participant's level of responsibility and performance within the Corporation and its Subsidiaries.

1.2 Authorized Plan Awards. Incentive Stock Options, Nonqualified Stock Options, and Restricted Stock may be awarded within the limitations of the Plan herein described.

ARTICLE 2. DEFINITIONS

2.1 "Agreement." A written or electronic agreement between the Corporation and a Participant evidencing an Award. A Participant may be issued one or more Agreements from time to time, reflecting one or more Awards.

2.2 "Award." An award of a Stock Option or of Restricted Stock.

2.3 "Board." The Board of Directors of the Corporation.

2.4 "Change in Control." Except as otherwise provided in an Agreement, the first to occur of any of the following events:

(a) any "Person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), except for (i) any of the Corporation's employee benefit plans, or any entity holding the Corporation's voting securities for, or pursuant to, the terms of any such plan (or any trust forming a part thereof) (collectively, the "Benefit Plans") or (ii) Nodak Mutual Group, Inc., is or becomes the beneficial owner, directly or indirectly, of the Corporation's securities representing 25% or more of the combined voting power of the Corporation's then outstanding securities other than pursuant to a transaction excepted in Clause (b);

(b) the stockholders of the Corporation approve a merger, consolidation, or other reorganization of the Corporation, unless:

(i) under the terms of the agreement providing for such merger, consolidation, or reorganization, the stockholders of the Corporation immediately before such merger, consolidation, or reorganization, will own, directly or indirectly immediately following such merger, consolidation, or reorganization, at least [50%] of the combined voting power of the outstanding voting securities of the Corporation resulting from such merger, consolidation, or reorganization (the "Surviving Corporation");

(ii) under the terms of the agreement providing for such merger, consolidation, or reorganization, the individuals who were members of the Board immediately prior to the execution of such agreement will constitute at least a majority of the members of the board of directors of the Surviving Corporation after such merger, consolidation, or reorganization; and

(iii) based on the terms of the agreement providing for such merger, consolidation, or reorganization, no Person (other than (i) the Corporation or any Subsidiary of the Corporation, (ii) any Benefit Plan, (iii) the Surviving Corporation or any Subsidiary of the Surviving Corporation, or (iv) any Person who, immediately prior to such merger, consolidation, or reorganization had beneficial ownership of 25% or more of the then outstanding voting securities) will have beneficial ownership of 25% or more of the combined voting power of the Surviving Corporation's then outstanding voting securities;

(c) a plan of liquidation or dissolution of the Corporation, other than pursuant to bankruptcy or insolvency laws, is adopted; or

(d) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board cease for any reason to constitute at least a majority of the Board unless the election, or the nomination for election by the Corporation's stockholders, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period.

Notwithstanding Clause (a), a Change in Control shall not be deemed to have occurred if a Person becomes the beneficial owner, directly or indirectly, of the Corporation's securities representing 25% or more of the combined voting power of the Corporation's then outstanding securities solely as a result of the Corporation's acquisition of its voting securities that, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by such Person to 25% or more of the combined voting power of the Corporation's then outstanding securities; provided, however, that if a Person becomes a beneficial owner of 25% or more of the combined voting power of the Corporation's then outstanding securities by reason of share purchases by the Corporation and shall, after such share purchases by the Corporation, become the beneficial owner, directly or indirectly, of any additional voting securities of the Corporation (other than as a result of a stock split, stock dividend or similar transaction), then a Change in Control of the Corporation shall be deemed to have occurred with respect to such Person under Clause (a). In no event shall a Change in Control of the Corporation be deemed to occur under Clause (a) by virtue of the acquisition of the Corporation's securities by Benefit Plans.

2.5 "Code." The Internal Revenue Code of 1986, as amended.

2.6 "Code of Conduct." The policies and procedures related to employment of Employees or Non-Employee Directors set forth in the Corporation's employee handbook or any similar document, as amended and updated from time to time. The term "Code of Conduct" shall also include any other policy or procedure that may be adopted by the Corporation or a Subsidiary and communicated to Employees and/or Non-Employee Directors.



2.7 “Committee.” The Compensation Committee of the Board, which Committee shall be composed of two or more members of the Board, all of whom are (a) “non-employee directors” as such term is defined under the rules and regulations that the Securities and Exchange Commission may adopt from time to time pursuant to Section 16(b) of the Exchange Act, (b) “outside directors” within the meaning of Code Section 162(m), and (c) independent under any applicable stock listing agreement with, or rules of, any exchange or electronic trading system. The Board may from time to time remove members from, or add members to, the Committee. The Board shall fill all vacancies on the Committee, however caused.

2.8 “Common Stock.” The common stock of the Corporation (par value \$0.01 per share) as described in the Corporation’s Articles of Incorporation, or such other stock as shall be substituted therefor.

2.9 “Continuous Service.” A Participant’s service with the Corporation or a Subsidiary, whether as an Employee or Director, is not interrupted or terminated. A Participant’s Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders service to the Corporation or a Subsidiary as an Employee or Director or a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant’s Continuous Service; provided further that if any Award is subject to Code Section 409A, this sentence shall only be given effect to the extent consistent with Code Section 409A. The Committee or its delegate, in its sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave, or any other personal or family leave of absence.

2.10 “Corporation.” NI Holdings, Inc., a North Dakota corporation.

2.11 “Disability.” “Permanent and total disability” (as defined in Code Section 22(e)(3)).

2.12 “Employee.” Any common law employee of the Corporation or a Subsidiary. An Employee does not include any individual who: (i) does not receive payment for services directly from the Corporation’s or a Subsidiary’s payroll; (ii) is employed by an employment agency that is not a Subsidiary; or (iii) who renders services pursuant to a written arrangement that expressly provides that the service provider is not eligible for participation in the Plan, regardless if the Internal Revenue Service or a court of law later determines such person to be a common law employee.

2.13 “Exchange Act.” The Securities Exchange Act of 1934, as amended.

2.14 “Fair Market Value.” The Fair Market Value of a share of Common Stock means:

(a) If the Common Stock is listed on an established securities market (within the meaning of Code Section 409A), the Fair Market Value per share of the Common Stock shall be the closing sale price for such a share on the relevant day. If no sale of Common Stock has occurred on that day, the Fair Market Value shall be determined by reference to such price for the next preceding day on which a sale occurred.

(b) In the event that the Common Stock is not traded on an established securities market (within the meaning of Code Section 409A), then the Fair Market Value per share of Common Stock will be the price that the Committee establishes in good faith by application of a reasonable valuation method (within the meaning of Code Section 409A).

(c) Notwithstanding the foregoing, (i) in the event of any change in law or interpretation of law, including but not limited to Code Section 409A and the regulations and guidance promulgated thereunder, the Fair Market Value shall be determined in accordance with such law or interpretation of law and (ii) in connection with determining the Fair Market Value, the Committee may use any source that it deems reliable; and its determination shall be final and binding on all affected persons, absent clear error.

2.15 “Incentive Stock Option.” A Stock Option intended to satisfy the requirements of Code Section 422(b).

2.16 “Non-Employee Director.” A member of the Board, or of the board of directors of a Subsidiary, or any other body performing the function of a board of directors, who is not an Employee.

2.17 “Nonqualified Stock Option.” A Stock Option which does not satisfy the requirements of Code Section 422(b).

2.18 “Optionee.” A Participant who is awarded a Stock Option pursuant to the provisions of the Plan.

2.19 “Participant.” An Employee or Non-Employee Director to whom an Award has been made and remains outstanding.

2.20 “Performance Criteria.” Any objective determination based on one or more of the following areas of performance of the Corporation, a Subsidiary, or any division, department, or group of either: (a) gross or net earnings or income, (b) cash flow, (c) gross or net revenue, (d) financial ratios, (e) market performance, (f) stockholder return, (g) operating income or profits (including earnings before or after interest, taxes, depreciation, and amortization), (h) basic or diluted earnings per share, (i) return on assets, (j) return on equity, (k) return on investment, (l) stock price (including gross measures and total shareholder return), (m) budget or expense management, (n) systems conversion, (o) special projects as the Committee may determine, (p) increases in book value, (q) enterprise value, (r) margins, (s) acquisition integration initiatives, (t) loss ratio, (u) expense ratio, and (v) combined ratio. The Committee shall establish the applicable Performance Criteria prior to the issuance of a Performance Award.

2.21 “Performance Goal.” One or more goals that the Committee may establish, with respect to an Award intended to constitute a Performance Award, that relate to one or more Performance Criteria. The Committee may specify a period of time to which a Performance Goal may relate. The terms of the applicable Performance Goal(s) shall be set forth in an applicable Agreement at the time the related Performance Award is made.

2.22 “Performance Award.” An Award, the vesting or receipt without restriction of which is conditioned on the satisfaction of one or more Performance Goals.

2.23 “Plan.” The NI Holdings, Inc. Stock Incentive Plan.

2.24 “Restricted Stock.” An Award of Common Stock pursuant to the provisions of the Plan, which award is subject to such restrictions and other conditions, as the Committee may specify at the time of such award and set forth in an applicable Agreement.

2.25 “Securities Act.” The Securities Act of 1933, as amended.

2.26 “Stock Option” or “Option.” An Award of a right to purchase Common Stock pursuant to the provisions of the Plan.

2.27 “Subsidiary.” A subsidiary corporation, as defined in Code Section 424(f), that is a subsidiary of a relevant corporation.

2.28 “Termination or Dismissal For Cause.” “Termination or Dismissal For Cause” shall have the meaning ascribed to such term (or a similar term) set forth in an applicable employment, severance, or other similar agreement between an individual and the Corporation or a Subsidiary, or if no such agreement exists, the Corporation’s or Subsidiary’s termination or dismissal of a Participant after:

(a) any government regulatory agency recommends or orders in writing that the Corporation or a Subsidiary terminate the employment of such Employee or dismiss him or her of his or her duties;

(b) such Employee or Non-Employee Director is convicted of or enters a plea of guilty or nolo contendere to a felony, a crime of falsehood, or a crime involving fraud or moral turpitude, or the actual incarceration of the Employee or Non-Employee Director for a period of 45 consecutive days;

(c) in the case of an Employee, the Committee’s determination that such Employee willfully failed to follow the lawful instructions of the Board or any officer of the Corporation or a Subsidiary after such Employee’s receipt of written notice of such instructions, other than a failure resulting from the Employee’s incapacity because of a Disability;

(d) the Committee’s determination that the willful or continued failure by such Employee or Non-Employee Director to substantially and satisfactorily perform his duties with the Corporation or a Subsidiary (other than any such failure resulting from the Employee’s or Non-Employee Director’s Disability), within a reasonable period of time after a demand for substantial performance or notice of lack of substantial or satisfactory performance is delivered to the Employee or Non-Employee Director, which demand identifies the manner in which the Employee or Non-Employee Director has not substantially or satisfactorily performed his or her duties; or

(e) the Committee's determination that such Employee or Non-Employee Director has failed to conform to an applicable Code of Conduct.

For purposes of the Plan, no act, or failure to act, on an Employee's or Non-Employee Director's part shall be deemed "willful" unless done, or omitted to be done, by such Employee or Non-Employee Director not in good faith and without reasonable belief that such Employee's or Non-Employee Director's action or omission was in the best interest of the Corporation or a Subsidiary.

### ARTICLE 3. ADMINISTRATION

3.1 Administration of the Plan. The Committee shall administer the Plan.

3.2 Powers of the Committee.

(a) The Committee shall be vested with full authority to make such rules and regulations as it deems necessary or desirable to administer the Plan and to interpret the provisions of the Plan, unless otherwise determined by a majority of the disinterested members of the Board. Any determination, decision, or action of the Committee in connection with the construction, interpretation, administration, or application of the Plan shall be final, conclusive, and binding upon all Participants and any person claiming under or through a Participant, unless otherwise determined by a majority of the disinterested members of the Board.

(b) Subject to the terms, provisions, and conditions of the Plan and subject to review and approval by a majority of the disinterested members of the Board, the Committee shall have exclusive jurisdiction to:

- (i) determine and select the Employees and Non-Employee Directors to receive Awards (it being understood that more than one Award may be made to the same person);
- (ii) determine the number of shares subject to each Award;
- (iii) determine the date or dates when the Awards will be made;
- (iv) determine the exercise price of shares subject to an Option in accordance with Article 6;
- (v) determine the date or dates when an Option may be exercised within the term of the Option specified pursuant to Article 7;
- (vi) determine whether an Option constitutes an Incentive Stock Option or a Nonqualified Stock Option;
- (vii) determine the Performance Criteria and establish Performance Goals with respect thereto, to be applied to an Award; and

(viii) prescribe the form, which shall be consistent with the Plan document, of the Agreement evidencing any Awards made under the Plan.

3.3 Indemnification. In addition to such other rights of indemnification as the Board or the Committee or a member of the Board of the Committee may have, the Corporation shall indemnify the Board and the Committee (and each member thereof) against any liability, including reasonable attorneys' fees, actually incurred in connection with any suit, action, or proceeding or in connection with any appeal therein, to which the Board or the Committee (or such member thereof) may be a party by reason of any action or failure to act under or in connection with the Plan or any award granted under the Plan, and any amounts that the Committee, the Board, or a member thereof, as applicable, may pay (a) in settlement thereof or (b) in satisfaction of a judgment in any such suit, action, or proceeding, except in with respect to matters where it shall be adjudged in such suit, action, or proceeding, that the Committee, the Board, or a member thereof, as applicable, did not act in good faith and in a manner that such person reasonably believed to be in the Corporation's best interest, or in the case of a criminal proceeding, had no reason to believe that the applicable conduct was unlawful.

3.4 Establishment and Certification of Performance Goals. The Committee shall establish, prior to award, Performance Goals with respect to each Award intended to constitute a Performance Award. Except as may otherwise be provided in Articles 6 and 7 hereof, as applicable, no Option that is intended to constitute a Performance Award may be exercised until the Performance Goal or Goals applicable thereto is or are satisfied.

3.5 Performance Awards Not Mandatory. Nothing herein shall be construed as requiring that any Award be made a Performance Award.

3.6 Binding Determination. A decision that the Committee makes pursuant to the provisions of the Plan shall be final and binding on the Corporation and Participants, except to the extent that a court having jurisdiction determines such decision to be arbitrary and capricious.

#### ARTICLE 4. COMMON STOCK SUBJECT TO THE PLAN

##### 4.1 Common Stock Authorized.

(a) The total aggregate number of shares of Common Stock that Awards may be made under the Plan shall not exceed \_\_\_\_\_ shares. The limitation established by the preceding sentence shall be subject to adjustment as provided in Article 10.

(b) The maximum aggregate number of shares of Common Stock that may be issued under the Plan pursuant to the vesting of Awards of Restricted Stock shall not exceed \_\_\_\_\_ shares. The limitation established by the preceding sentence shall be subject to adjustment as provided in Article 10.

(c) The maximum aggregate number of shares of Common Stock that may be awarded under the Plan as Options shall not exceed \_\_\_\_\_ shares. The limitation established by the preceding sentence shall be subject to adjustment as provided in Article 10.

(d) Subject to adjustment in accordance with Section 10, no Participant shall be granted, during any one-year period, (i) Stock Options to purchase Common Stock with respect to more than \_\_\_\_\_ shares of Common Stock in the aggregate or (ii) Awards of Restricted Stock with respect to more than \_\_\_\_\_ shares of Common Stock in the aggregate.

(e) If any Option is exercised by tendering Common Stock, either actually or by attestation, to the Corporation as full or partial payment in connection with the exercise of such Option under the Plan, or if the tax withholding requirements are satisfied through such tender, only the number of shares of Common Stock issued net of the Common Stock tendered shall be deemed delivered for purposes of determining the maximum number of shares available for Awards under the Plan.

4.2 Shares Available. The Common Stock to be issued under the Plan shall be the Corporation's Common Stock, which shall be made available in the Board's discretion either from authorized but unissued Common Stock, treasury shares, or shares acquired by the Corporation, including shares purchased on the open market. In the event that any outstanding Award under the Plan for any reason expires, terminates, or is forfeited, the shares of Common Stock allocable to such expiration, termination, or forfeiture may thereafter again be made subject to an Award under the Plan.

4.3 Limit on Awards to Non-Employee Directors. Notwithstanding anything in the Plan to the contrary, in no event shall the aggregate grant date fair value (determined under applicable accounting rules) of any Awards granted in a calendar year to a Non-Employee Director exceed \$\_\_\_\_\_.

#### ARTICLE 5. ELIGIBILITY

5.1 Participation. The Committee shall make Awards only to persons who are Employees or Non-Employee Directors.

5.2 Incentive Stock Option Eligibility. The Committee shall make Incentive Stock Option Awards only to Employees of the Corporation. Notwithstanding any other provision of the Plan to the contrary, an individual who owns more than ten percent of the total combined voting power of all classes of outstanding stock of the Corporation shall not be eligible for the award of an Incentive Stock Option, unless the special requirements set forth in Sections 6.1 and 7.1 are satisfied. For purposes of this Section 5.2, in determining stock ownership, an individual shall be considered as owning the stock owned, directly or indirectly, by or for his brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants. Stock owned, directly or indirectly, by or for a corporation, partnership, estate, or trust shall be considered as being owned proportionately by or for its stockholders, partners, or beneficiaries. "Outstanding stock" shall include all stock actually issued and outstanding immediately before the award of the Option. For purposes of this Section 5.2, "outstanding stock" shall not include shares authorized for issue under outstanding Options held by the Optionee or by any other person.

ARTICLE 6. STOCK OPTIONS IN GENERAL

6.1 Exercise Price. The exercise price of an Option to purchase a share of Common Stock shall be, in the case of an Incentive Stock Option, not less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is awarded, except that the exercise price shall be not less than 110% of such Fair Market Value in the case of an Incentive Stock Option awarded to any individual described in the second sentence of Section 5.2. The exercise price of an Option to purchase a share of Common Stock shall be, in the case of a Nonqualified Stock Option, not less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is awarded. The exercise price shall be subject to adjustment pursuant to the limited circumstances set forth in Article 10.

6.2 Limitation on Incentive Stock Options. The aggregate Fair Market Value (determined as of the date an Option is awarded) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any individual in any calendar year (under the Plan and all other plans maintained by the Corporation or Subsidiaries) shall not exceed \$100,000.

6.3 Transferability of Options.

(a) Except as provided in Subsection (b), an Option awarded hereunder shall not be transferable other than by will or the laws of descent and distribution, and such Option shall be exercisable, during the Optionee's lifetime, only by him or her.

(b) An Optionee may, with the prior approval of the Committee, transfer a Nonqualified Stock Option for no consideration to or for the benefit of one or more members of the Optionee's "immediate family" (including a trust, partnership, or limited liability company for the benefit of one or more of such members), subject to such limits as the Committee may impose, and the transferee shall remain subject to all terms and conditions applicable to the Option prior to its transfer. The term "immediate family" shall mean an Optionee's spouse, parents, children, stepchildren, adoptive relationships, sisters, brothers, and grandchildren (and, for this purpose, shall also include the Optionee).

ARTICLE 7. TERM, VESTING AND EXERCISE OF OPTIONS

7.1 Term and Vesting. Each Option awarded under the Plan shall terminate on the date as the Committee may determine and set forth in an Agreement; provided, however, that:

(a) each intended Incentive Stock Option awarded to an individual described in the second sentence of Section 5.2 shall terminate not later than five years after the date of the Award,

(b) each other intended Incentive Stock Option shall terminate not later than ten years after the date of the Award, and

(c) each Option awarded under the Plan which is intended to be a Nonqualified Stock Option shall terminate not later than ten years and one month after the date of the Award.

Each Option awarded under the Plan shall be subject to such terms and conditions as the Committee may provide and set forth in the Agreement issued to a Optionee to evidence such Option; provided, however, that, unless the Committee may otherwise provide and set forth in an applicable Agreement, each Option shall be fully exercisable (i.e., become 100% vested) after the earlier of the date on which:

- (a) a Change in Control occurs or
- (b) the Optionee terminates employment or service by reason of death or Disability.

Except as provided in Article 8, an Option may be exercised only during the continuance of the Optionee's employment or service with the Corporation or a Subsidiary.

#### 7.2 Exercise.

(a) A person electing to exercise an Option shall give notice to the Corporation of such election and of the number of shares he or she has elected to purchase and shall at the time of exercise tender the full exercise price of the shares he or she has elected to purchase. The exercise notice shall be delivered to the Corporation in person, by certified mail, or by such other method (including electronic transmission) and in such form as the Committee may determine. The exercise price shall be paid in full, in cash, upon the exercise of the Option; provided, however, that in lieu of cash, with the approval of the Committee at or prior to exercise, an Optionee may exercise an Option by tendering to the Corporation shares of Common Stock owned by him or her and having a Fair Market Value equal to the cash exercise price applicable to the Option (with the Fair Market Value of such stock to be determined in the manner provided in Section 6.3) or by delivering such combination of cash and such shares as the Committee in its sole discretion may approve; further provided, however, that no such manner of exercise shall be permitted if such exercise would violate Section 402 of the Sarbanes-Oxley Act of 2002. Notwithstanding the foregoing, Common Stock acquired pursuant to the exercise of an Incentive Stock Option may not be tendered as payment unless the holding period requirements of Code Section 422(a)(1) have been satisfied, and Common Stock not acquired pursuant to the exercise of an Incentive Stock Option may not be tendered as payment unless it has been held, beneficially and of record, for at least six months (or such longer time as may be required by applicable securities law or accounting principles to avoid adverse consequences to the Corporation or a Participant).

(b) At the request of the Participant and to the extent permitted by applicable law, the Committee may, in its sole discretion, selectively approve an arrangement whereby the Participant irrevocably authorizes a third party to sell shares of Common Stock (or a sufficient portion of the shares) acquired upon the exercise of an Option and to remit to the Corporation a sufficient portion of the sales proceeds to pay the entire exercise price and any tax withholding required as a result of such exercise.



(c) At the request of the Participant and to the extent permitted by applicable law, the Committee may, in its sole discretion, selectively approve a “net exercise” arrangement whereby the Corporation will reduce the number of shares of Common Stock issued upon exercise of a Nonqualified Stock Option by the largest whole number of shares of Common Stock with a Fair Market Value that does not exceed the exercise price of the Option; provided, however, that the Optionee provide cash to the Corporation to the extent of any remaining balance of the exercise price. Shares of Common Stock will no longer be subject to such Option and such Option will no longer be exercisable thereafter to the extent of the number of shares used to pay the exercise price pursuant to the net exercise, the number of shares delivered to the Optionee as a result of such net exercise and the number of shares, if any withheld to satisfy any tax withholding obligations.

(d) A person holding more than one Option at any relevant time may, in accordance with the provisions of the Plan, elect to exercise such Options in any order.

ARTICLE 8. EXERCISE OF OPTIONS FOLLOWING TERMINATION  
OF EMPLOYMENT OR SERVICE

8.1 Other Termination by Corporation or Subsidiary; Change in Control. In the event of an Optionee’s termination of employment or service (i) by the Corporation or a Subsidiary other than Termination for Cause or (ii) due to a Change in Control, such Optionee’s Option shall lapse at the earlier of the expiration of the term of such Option or:

- (a) in the case of an Incentive Stock Option, three months from the date of such termination of employment; and
- (b) in the case of a Nonqualified Stock Option, 12 months from the date of such termination of employment or service.

8.2 Death or Total Disability. In the event of an Optionee’s termination of employment or service by reason of death or Disability, such Optionee’s vested Options shall lapse at the earlier of the expiration of the term of such Option or:

- (a) in the case of an Incentive Stock Option, one year from the date of such termination of employment; and
- (b) in the case of a Nonqualified Stock Option, 12 months from the date of such termination of employment or service.

8.3 Termination For Cause; Other Termination by Optionee. In the event of an Optionee’s Termination For Cause, or in the event of the Optionee’s termination of employment or service at the election of an Optionee, such Optionee’s right to exercise a vested Option shall lapse:

- (a) in the case of an Incentive Stock Option, upon such termination of employment or, in the Committee’s discretion, up to three months from the date of such termination of employment (but in no event no later of the expiration of the term of such Option); and

(b) in the case of a Nonqualified Stock Option, unless otherwise provided in an Agreement, upon such termination of employment or service or, in the Committee's discretion, at any time up to the end of the remaining term of such Option; provided, however, in the event that such termination of employment or service occurs on or after the Optionee reaches age [60], such Option shall lapse as of the end of the remaining term of such Option.

#### 8.4 Special Termination Provisions for Options.

(a) In the event that the Corporation or a Subsidiary terminates an Optionee's employment or service and the Committee deems it equitable to do so, the Committee may, in its discretion and subject to the approval of a majority of the disinterested members of the Board, waive any Continuous Service requirement for vesting (but not any Performance Goal or Goals) specified in an Agreement pursuant to Section 7.1 and permit the exercise of an Option held by such Optionee prior to the satisfaction of such Continuous Service requirement. The Committee may make any such waiver with retroactive effect, provided the Committee makes it within 60 days following the Optionee's termination of employment or service.

(b) In the event the Committee waives the Continuous Service requirement with respect to an Option as set forth in Section 8.4(a) above, such Option shall lapse:

(i) in the case of an Incentive Stock Option, at the earlier of the expiration of the term of such Option or three months from the date of termination of employment (but in no event no later of the expiration of the term of such Option); and

(ii) in the case of a Nonqualified Stock Option, unless otherwise provided in an Agreement, three months from the date of such termination of employment or service or, in the Committee's discretion, up to the remaining term of such Option.

### ARTICLE 9. RESTRICTED STOCK

9.1 In General. Each Restricted Stock Award shall be subject to such terms and conditions as may be specified in the Agreement issued to a Participant to evidence such Award. Subject to Section 3.5, a Restricted Stock Award shall be subject to a vesting schedule or Performance Goals, or both.

9.2 Vesting. Each Restricted Stock Award shall vest under such terms and conditions the Committee may provide and set forth in an applicable Agreement; provided, however, that, unless the Committee otherwise provides in an applicable Agreement, each Restricted Stock Award shall become fully vested upon the earlier of the date on which: (a) a Change in Control occurs; or (b) the Participant terminates employment or service by reason of death or Disability.

9.3 Waiver of Vesting Requirements for Certain Restricted Stock Awards. In the event that a Participant's employment or service is terminated and the Committee deems it equitable to do so, the Committee may, in its discretion and subject to the approval of a majority of the disinterested members of the Board, waive any minimum vesting period (but not any Performance Goals) with respect to a Restricted Stock Award held by such Participant. The Committee may make any such waiver with retroactive effect, provided it makes it within 60 days following such Participant's termination of employment or service.

9.4 Issuance and Retention of Share Certificates By Corporation. Shares of restricted stock issued pursuant to a Restricted Stock award may be evidenced by book entry on the Corporation's stock transfer records or by one or more physical stock certificates issued in the Participant's name.; but until such time as the Restricted Stock shall vest or otherwise become distributable by reason of satisfaction of one or more Performance Goals, the Corporation shall retain such share certificates.

9.5 Stock Powers. At the time of the award of Restricted Stock, the Participant to whom the award is made shall deliver such stock powers, endorsed in blank, as the Corporation may request.

9.6 Release of Shares. Within 30 days following the date on which a Participant becomes entitled under an Agreement to receive shares of previously Restricted Stock, the Corporation shall deliver to such Participant one or more certificates evidencing the ownership of such shares. Notwithstanding any other provision of this Plan to the contrary, the Corporation may elect to satisfy any requirement under this Plan for the delivery or release of certificates through the use of book-entry.

9.7 Forfeiture of Restricted Stock Awards. In the event of the forfeiture of a Restricted Stock Award, by reason of a Participant's termination of employment or termination of service prior to vesting, the failure to achieve a Performance Goal or otherwise, the Corporation shall take such steps as may be necessary to cancel the affected shares and return the same to its treasury.

9.8 Assignment, Transfer, Etc. of Restricted Stock Rights. The potential rights of a Participant to shares of Restricted Stock may not be assigned, transferred, sold, pledged, hypothecated, or otherwise encumbered or disposed of until such time as the Participant receives unrestricted certificates for such shares.

9.9 Stockholder Rights. Unless the Committee otherwise provides and sets forth in an applicable Agreement, Participants who have been awarded shares of Restricted Stock shall not have voting or dividend rights until such time as the Participant receives unrestricted certificates for such shares.

9.10 Additional Holding Periods. Nothing in this Article 9 shall preclude the Committee from providing in an Agreement for additional (a) restrictions on the transfer or assignment of Common Stock acquired by reason of the vesting of a Restricted Stock Award or (b) forfeiture provisions with respect to Common Stock acquired by reason of the vesting of a Restricted Stock Award.

#### ARTICLE 10. ADJUSTMENT PROVISIONS

##### 10.1 Share Adjustments.

(a) In the event that the shares of Common Stock of the Corporation, as presently constituted, shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Corporation, or if the number of such shares of Common Stock shall be changed through the payment of a stock dividend, stock split, or reverse stock split, then (i) the shares of Common Stock authorized hereunder to be made the subject of Awards, (ii) the shares of Common Stock then subject to outstanding Awards and the exercise price thereof (where relevant), (iii) the maximum number of Awards that may be made within a 12-month period and (iv) the nature and terms of the shares of stock or securities subject to Awards hereunder shall be increased, decreased or otherwise changed to such extent and in such manner as may be necessary or appropriate to reflect any of the foregoing events.

(b) If there shall be any other change in the number or kind of the outstanding shares of the Common Stock of the Corporation, or of any stock or other securities into which such Common Stock shall have been changed, or for which it shall have been exchanged, and if a majority of the disinterested members of the Board shall, in its sole discretion, determine that such change equitably requires an adjustment in any Award which was theretofore granted or which may thereafter be granted under the Plan, then such adjustment shall be made in accordance with such determination.

(c) An Award pursuant to the Plan shall not affect in any way the right or power of the Corporation to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, to merge, to consolidate, to dissolve, to liquidate, or to sell or transfer all or any part of its business or assets.

10.2 Corporate Changes. A liquidation or dissolution of the Corporation, a merger or consolidation in which the Corporation is not the surviving Corporation or a sale of all or substantially all of the Corporation's assets, shall cause each outstanding Award to terminate, except to the extent that another corporation may and does, in the transaction, assume, and continue the Award or substitute its own awards.

10.3 Fractional Shares. Fractional shares resulting from any adjustment in Awards pursuant to this article may be settled as the Committee shall determine.

#### ARTICLE 11. GENERAL PROVISIONS

11.1 Effective Date. The Plan shall become effective upon the Board's adoption of the Plan, provided that, subject to applicable law, any Award made hereunder shall be subject to the Plan's approval by the stockholders of the Corporation within 12 months of the Board's adoption of the Plan.

11.2 Termination of the Plan. Unless previously terminated by the Board, the Plan shall terminate on, and no Awards shall be made after, the day immediately preceding the 10th anniversary of the Board's adoption of the Plan.

11.3 Limitation on Termination, Amendment, or Modification.

(a) The Board may at any time terminate, amend, modify or suspend the Plan, provided that, without the approval of the stockholders of the Corporation, the Board may make no amendment or modification that:

(i) increases the maximum number of shares of Common Stock subject to Awards under the Plan (except as provided in Section 10.1);

(ii) changes the class of eligible Participants; or

(iii) otherwise requires the approval of stockholders under applicable state law or under applicable federal law to avoid potential liability or adverse consequences to the Corporation or a Participant.

(b) No amendment, modification, suspension, or termination of the Plan shall in any manner adversely affect any Award theretofore made under the Plan without the applicable Participant's consent.

11.4 No Right to an Award or Continued Employment or Service. Nothing contained in this Plan or otherwise shall be construed to (a) require that an Award be made to an individual who qualifies as an Employee or Non-Employee Director, or (b) confer upon a Participant any right to continue in the employ or service of the Corporation or any Subsidiary or limit in any respect the right of the Corporation or of any Subsidiary to terminate the Participant's employment or service at any time and for any reason.

11.5 No Obligation. No exercise of discretion under this Plan with respect to an event or person shall create an obligation to exercise such discretion in any similar or same circumstance, except as otherwise provided or required by law.

#### 11.6 Withholding Taxes.

(a) Subject to the provisions of Subsection (b), the Corporation will require, where sufficient funds are not otherwise available, that a Participant who is an Employee pay or reimburse to it any withholding taxes when withholding is required by law.

(b) Subject to the Committee's consent, a Participant who is an Employee may satisfy the withholding obligation described in Subsection (a), in whole or in part, by electing to have the Corporation withhold shares of Common Stock (otherwise issuable to him or her) having a Fair Market Value equal to the maximum amount of tax permitted to be withheld without resulting in adverse financial accounting consequences to the Corporation. An election by a Participant who is an Employee to have shares withheld for this purpose shall be subject to such conditions as may then be imposed thereon by any applicable securities law.

11.7 Code Section 409A. This Plan is intended to be exempt from the provisions of Code Section 409A by reason of not being deemed a "nonqualified deferred compensation plan" within the meaning of Code Section 409A(d)(1). Each of the provisions of this Plan document, however, are qualified by reference to provisions of Code Section 409A, and the guidance promulgated thereunder, to the extent such section applies to this Plan. Notwithstanding anything herein to the contrary, if Code Section 409A is applicable, the exercise of any discretionary authority and the implementation or carrying out of each other provision of the Plan shall be conditioned upon the conditions and limitations of Code Section 409A and compliance with its specific terms, as the same may have been interpreted by regulatory, case law, or other governing authority. Further, if this Plan or any Option granted hereunder is, or shall become subject to the provisions of Code Section 409A, each such affected Option shall be deemed exercised on the date it vests, or the date the Plan or such Option, as applicable, becomes subject to Code Section 409A; provided, however, that if an Optionee is unable to deliver the exercise price and required withholding taxes to the Corporation, such Optionee shall be paid in one lump sum as soon as practicable, to the extent permitted by tax, corporate, securities, and any other relevant laws, (a) the excess (if any) of the Fair Market Value of the Option at the relevant time over the exercise price, less (b) the required tax withholdings.

#### 11.8 Listing and Registration of Shares.

(a) No Option awarded pursuant to the Plan shall be exercisable in whole or in part, and no share certificate with respect to any Award shall be delivered, if at any relevant time the Committee determines in its discretion that the listing, registration, or qualification of the shares of Common Stock subject to an Award on any securities exchange or under any applicable law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, such Award, until such listing, registration, qualification, consent, or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) If a registration statement under the Securities Act with respect to the shares issuable under the Plan is not in effect at any relevant time, as a condition of the issuance of the shares, a Participant (or any person claiming through a Participant) shall give the Committee a written or electronic statement, satisfactory in form and substance to the Committee, that he or she is acquiring the shares for his or her own account for investment and not with a view to their distribution. The Corporation may place on each certificate, if any, or book entry representing Restricted Stock awarded under the Plan, if any, a legend or book entry notation substantially in the form of the following, in addition to any other information the Corporation deems appropriate, to prevent disposition of the shares in violation of the Securities Act, other applicable law, or the terms of the Plan or an applicable Agreement:

“THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (“ACT”) AND MAY NOT BE SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED OR OFFERED FOR SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT WITH RESPECT TO THEM UNDER THE ACT OR A WRITTEN OPINION OF COUNSEL FOR THE CORPORATION THAT REGISTRATION IS NOT REQUIRED.”

11.9 Disinterested Director. For purposes of this Plan, a director shall be deemed “disinterested” if such person could qualify as a member of the Committee under Section 3.1.

11.10 Clawback. Notwithstanding any other provisions in this Plan, any Award that is subject to recovery under any law, government regulation, or stock exchange listing requirement shall be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation, or stock exchange listing requirement (or any policy that the Corporation adopts pursuant to any such law, government regulation, or stock exchange listing requirement).

11.11 Beneficiary Designation. Notwithstanding Section 6.3(a), each Participant under the Plan may from time to time name any beneficiary or beneficiaries by whom any right under the Plan is to be exercised in case of such Participant's death. Each designation shall revoke all the Participant's prior designations, shall be in a form that the Committee may reasonably prescribe, and shall be effective only when filed by the Participant in writing with the Corporation during the Participant's lifetime.

11.12 Gender; Number. Words of one gender, wherever used herein, shall be construed to include each other gender, as the context requires. Words used herein in the singular form shall include the plural form, as the context requires, and vice versa.

11.13 Applicable Law. Except to the extent preempted by federal law, this Plan document, and the Agreements issued pursuant hereto, shall be construed, administered, and enforced in accordance with the domestic internal law of the State of North Dakota.

11.14 Headings. The headings of the several articles and sections of this Plan document have been inserted for convenience of reference only and shall not be used in the construction of the same.

## Nodak Mutual Insurance Company

### Nonqualified Deferred Compensation Plan

1. **Establishment of Plan.** Nodak Mutual Insurance Company ("Nodak" or the "**Company**") hereby adopts and establishes an unfunded deferred compensation plan for a select group of key management or highly compensated employees of the Company and its Affiliates which shall be known as the Nodak Mutual Insurance Company Nonqualified Deferred Compensation Plan (the "**Plan**").
  2. **Purpose of Plan.** The purpose of the Plan is to provide a select group of management or highly compensated employees (within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA) of the Company and its Affiliates who contribute significantly to the future business success of the Company with supplemental retirement income benefits through the deferral of Base Salary and Bonus Compensation and through additional Company contributions.
  3. **Definitions.**
    - "**Acceleration Events**" is defined in **Section 11.1** hereof.
    - "**Account**" means a hypothetical bookkeeping account established in the name of each Participant and maintained by the Company to reflect the Participant's interests under the Plan and includes any or all of the following subaccounts: (a) an Elective Deferral Account and (b) a Company True-up Account.
    - "**Affiliate**" means any corporation, trade or business which is treated as a single employer with the Company under Sections 414(b) or 414(c) of the Code and any other entity designated by the Committee as an "Affiliate" for purposes of the Plan.
    - "**Base Salary**" means the annual rate of base pay paid by the Company or an Affiliate to or for the benefit of the Participant for services rendered.
    - "**Beneficiary**" means any person or entity, designated in accordance with **Section 15.7**, entitled to receive benefits which are payable upon or after a Participant's death pursuant to the terms of the Plan.
    - "**Board**" means the Board of Directors of the Company, as constituted from time to time.
    - "**Bonus Compensation**" means any cash compensation earned by a Participant for services rendered by a Participant under any bonus or cash incentive plan maintained by the Company or an Affiliate.
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**“Cause”** has the meaning of such term or of any similar term (such as “Misconduct”) set forth in the individual employment, severance, or similar agreement between the Company and the Participant (if any), and if none, “Cause” shall mean (i) conviction or plea of *nolo contendere* to any felony or to any misdemeanor that involves fraud or moral turpitude; (ii) theft or embezzlement of Company property, a material act of dishonesty or fraud involving the Company’s property or business, or intentional falsification of any employment or Company records; (iii) material violation of any Company non-competition or confidentiality agreement or of any Company employment, business, or ethics policy; (iv) willful failure to follow lawful instructions of the person or body to which Participant reports; (v) gross negligence, willful misconduct, or wholly unsatisfactory performance of Participant’s assigned duties; (vi) actions or failures to act by Participant that are materially detrimental to the Company, monetarily or otherwise; or (vii) Participant’s failure of any lawfully administered Company drug test or Participant’s abuse of alcohol or drugs that unreasonably interferes with the performance of Participant’s customary job duties.

**“Change in Control”** means the occurrence of any of the following:

- (a) one person (or more than one person acting as a group) acquires ownership of stock of the Company that, together with the stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of such corporation; provided that, a Change in Control shall not occur if any person (or more than one person acting as a group) owns more than 50% of the total fair market value or total voting power of the Company’s stock and acquires additional stock;
- (b) one person (or more than one person acting as a group) acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition) ownership of the Company’s stock possessing 30% or more of the total voting power;
- (c) a majority of the members of the Board are replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the Board before the date of appointment or election; or
- (d) one person (or more than one person acting as a group) acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition) assets from the Company that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Company immediately before such acquisition(s).

Notwithstanding the foregoing, a Change in Control shall not occur unless such transaction constitutes a change in the ownership of the Company, a change in the effective control of the Company, or a change in the ownership of a substantial portion of the Company’s assets under Section 409A of the Code. Further notwithstanding the foregoing, a Change in Control shall not occur as a result of a conversion of the Company from a mutual insurance company to a stock insurance company and the acquisition of a majority of the outstanding shares of common stock of the resulting stock insurance company by Nodak Mutual Group, Inc. or NI Holdings, Inc. (the “Conversion Transaction”).

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"**Claimant**" has the meaning set forth in **Section 16**.

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended, or any successor statute, and the Treasury Regulations and other authoritative guidance issued thereunder.

"**Committee**" means the Compensation Committee of the Board, or another committee of the Board consisting of at least two members appointed by the Board to administer the Plan.

"**Company**" means Nodak Mutual Insurance Company, a North Dakota corporation, or any successor thereto (including, as a result of the Conversion Transaction, Nodak Insurance Company).

"**Company 401(k) Plan**". means Nodak Mutual Insurance Company 401(k) Profit Sharing Plan.

"**Company True-up Contribution**" means the amount the Company contributes to the Plan on behalf of any Participant pursuant to **Section 6.1**.

"**Company True-up Account**" means a separate account maintained for each Participant to record the Company True-up Contributions made to the Plan pursuant to **Section 6.1**, plus all earnings and losses allocable thereto.

"**Deferral Election**" means an election by an Eligible Employee to defer compensation and includes a Distribution Date for same. A Participant shall make a new Deferral Election with respect to each Plan Year.

"**Determination Date**" means the last Valuation Date of the month preceding the payment date. [DISCUSS HOW THIS WILL BE RECORDKEPT]

"**Disabled or Disability**" means that a Participant is: (a) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (b) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company [or its Affiliates]; or (c) determined to be totally disabled by the Social Security Administration.

"**Distribution Date**" means a date specified by a Participant in his or her Election Notice for the payment of all or a portion of such Participant's Account.

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"**Effective Date**" means \_\_\_\_\_, 2016.

"**Election Notice**" means the notice or notices established from time to time by the Committee for making Deferral Elections under the Plan. The Election Notice includes the amount or percentage of Base Salary and/or Bonus Compensation to be deferred (subject to any minimum or maximum amounts established by the Committee); the Distribution Date(s); and the form of payment (lump sum or installments). Each Election Notice shall become irrevocable as of the last day of the Election Period.

"**Election Period**" means the period established by the Committee with respect to each Plan Year during which Deferral Elections for such Plan Year must be made in accordance with the requirements of Section 409A of the Code, as follows:

(a) General Rule. Except as provided in (b) below, the Election Period shall end no later than the last day of the Plan Year immediately preceding the Plan Year to which the Deferral Election relates.

(b) Newly Eligible Employees. The Election Period for newly Eligible Employees shall end no later than thirty (30) days after the Employee first becomes eligible to participate in the Plan and shall apply only with respect to compensation earned after the date of the Deferral Election.

"**Elective Deferrals**" means compensation deferrals contemplated hereunder.

"**Elective Deferral Account**" means a separate account maintained for each Participant to record the Elective Deferrals made to the Plan pursuant to **Section 5** and all earnings and losses allocable thereto.

"**Eligible Employee**" means an Employee who is selected by the Committee to participate in the Plan. Participation in the Plan is limited to a select group of the Company's key management or highly compensated employees.

"**Employee**" means an employee of the Company.

"**Entry Date**" means, with respect to an Eligible Employee, the first day of the pay period commencing on or following the effective date of such Eligible Employee's participation in the Plan.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"**FICA Amount**" has the meaning set forth in **Section 11.1(c)**.

"**Investment Option**" means an investment fund, index or vehicle selected by the Committee and made available to Participants for the deemed investment of their Accounts.

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**"Normal Retirement Age"** means that age so defined in a currently enforce employment agreement with the Participant, or if none, then as that term is defined in or by the Company's normal operating procedures, and if none, then age 62.

**"Participant"** means an Eligible Employee who elects to participate in the Plan by filing an Election Notice in accordance with **Section 5.1** and any former Eligible Employee who continues to be entitled to a benefit under the Plan.

**"Payment Event"** has the meaning set forth in **Section 9.1**.

**"Plan"** means this Nodak Mutual Insurance Company Nonqualified Deferred Compensation Plan, as amended from time to time.

**"Plan Year"** means the twelve consecutive month period which begins on January 1 and ends on the following December 31.

**"Re-deferral Election"** has the meaning set forth in **Section 5.4**.

**"Separation from Service"** has the meaning set forth in Section 409A(a)(2)(A)(i) of the Code and Treas. Reg. Section 1.409A-1(h).

**"Specified Employee"** has the meaning set forth in Section 409A(a)(2)(B)(i) of the Code and Treas. Reg. Section 1.409A-1(i).

**"Specified Employee Payment Date"** has the meaning set forth in **Section 9.5**.

**"State, Local and Foreign Tax Amount"** has the meaning set forth in **Section 11(f)**.

**"Unforeseeable Emergency"** means a severe financial hardship of the Participant resulting from (a) an illness or accident of the Participant, the Participant's spouse, or the Participant's dependent; (b) a loss of the Participant's property due to casualty; or (c) such other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, all as determined in the sole discretion of the Committee.

**"Valuation Date"** means each business day of the Plan Year.

**"Vest", "Vested" or "Vesting"** refers to the point in time in which Account balances are no longer subject to a substantial risk of forfeiture.

**"Year of Service"** means a Year of Service as credited under the Company 401(k) Plan.

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4. Eligibility; Participation.

4.1 Requirements for Participation. Before the beginning of each Plan Year, the Committee shall select those Employees who shall be Eligible Employees for such Plan Year. An Employee designated as an Eligible Employee for a Plan Year shall continue to be an Eligible Employee for subsequent Plan Years unless otherwise determined to be ineligible by the Committee. Any Eligible Employee may participate in the Plan commencing as of the Entry Date occurring on or after the date on which he or she becomes an Eligible Employee.

4.2 Election to Participate; Benefits of Participation. An Eligible Employee may become a Participant in the Plan by making a Deferral Election in accordance with **Section 5**. An Eligible Employee who elects to participate in the Plan by making a Deferral Election is eligible to receive Company True-up Contributions in accordance with **Section 6**.

4.3 Cessation of Participation. If a Participant ceases to be an Eligible Employee for a Plan Year, then the Participant's Deferral Elections shall no longer be effective and the Participant shall not receive any further Company True-up Contributions. However, such Participant's Account shall continue to be credited with earnings and losses until the applicable Determination Date.

5. Election Procedures.

5.1 Deferral Election. An Eligible Employee may elect to defer Base Salary and/or Bonus Compensation by completing an Election Notice and filing it with the Committee during the Election Period. The Election Notice must specify:

- (a) The amount or percentage of Base Salary and/or Bonus Compensation to be deferred (subject to any minimum and maximum amounts, if any, established by the Committee);
- (b) The Distribution Date for the Participant's Account (subject to the provisions of the Plan);
- (c) The form of payment for the Participant's Account (lump sum or annual installments).

5.2 Base Salary Deferrals. A Participant may elect to defer receipt of some or all of the Participant's Base Salary for any Plan Year by making a Deferral Election in accordance with this **Section 5**, subject to any minimum or maximum amounts established by the Committee. Base Salary deferrals shall be credited to a Participant's Elective Deferral Account as of the date the Base Salary otherwise would have been paid.

5.3 Bonus Compensation Deferrals. A Participant may elect to defer receipt of some or all of the Participant's Bonus Compensation for any Plan Year by making a Deferral Election in accordance with this **Section 5**, subject to any minimum or maximum amounts established by the Committee. Bonus Deferrals shall be credited to the Participant's Elective Deferral Account as of the date the deferred Bonus Compensation otherwise would have been paid.

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5.4 Re-deferrals and Changing the Form of Payment. The Participant may make an election to re-defer all or a portion of the amounts in his or her Account until a later Distribution Date or to change the form of a payment (a "**Re-deferral Election**"); provided that, the following requirements are met:

- (a) The re-deferral election is made at least twelve (12) months before the original Distribution Date;
- (b) The Distribution Date for the re-deferred amounts is at least five years later than the original Distribution Date; and
- (c) The re-deferral election will not take effect for at least twelve (12) months after the re-deferral election is made.

6. Company Contributions.

6.1 Company True-up Contributions. Each Plan Year the Company will make a Company True-up Contribution to the Plan, subject to approval of the appropriate amounts by the Committee, on behalf of any Participant specifically designated to receive such contributions while they are actively employed by the Company (or an Affiliate). The Company True-up Contribution will consist of those foregone Company contributions to its qualified retirement plans that the Participant would have received but for the restrictions on contributions that result from the following statutory limitations: Code Sections 402(g), 415, 401(a)(17), or others determined by the Board to reduce the Company contributions to the Participant relative to the non-highly compensated employee participants in those plans. Any Company True-up Contribution shall be credited to the Participant's Company True-up Account as soon as practicable following the last day of the Plan Year to which the Company True-up Contribution relates and in no event later than the March 15 immediately following the Plan Year.

7. Accounts and Investment Options.

7.1 Establishment of Accounts. The Company shall establish and maintain an Account for each Participant. The Company may establish more than one Account on behalf of any Participant as deemed necessary by the Committee for administrative purposes.

7.2 Investment Options. The Committee shall select the Investment Options to be made available to Participants for the deemed investment of their Accounts under the Plan. The Committee may change, discontinue, or add to the Investment Options made available under the Plan at any time in its sole discretion. A Participant must select the Investment Options for his or her Account, in the Participant's Election Notice and may make changes to his or her selections in accordance with procedures established by the Committee.

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7.3 Investment Earnings. Each Account shall be adjusted for earnings or losses based on the performance of the Investment Options selected. Earnings and losses shall be computed on each Valuation Date. The amount paid to a Participant on the payment date shall be determined as of the applicable Determination Date.

7.4 Nature of Accounts. Accounts are not actually invested in the Investment Options available under the Plan and Participants do not have any real or beneficial ownership in any Investment Option. A Participant's Account is solely a device for the measurement and determination of the amounts to be paid to the Participant pursuant to the Plan and shall not constitute or be treated as a trust fund of any kind.

7.5 Statements. Each Participant shall be provided with statements setting out the amounts in his or her Account which shall be delivered annually.

8. Vesting.

8.1 Vesting of Base Salary Deferrals and Bonus Compensation Deferrals. Participants shall be fully Vested at all times in their Base Salary deferrals and Bonus Compensation deferrals and any earnings thereon.

8.2 Vesting of Company True-up Contributions.

Participants shall be Vested in their Company True-up Contributions and any earnings thereon in accordance with the following schedule:

<i>Years of Service</i>	<i>Vested Percentage</i>
Less than 1 year	0%
1 year but less than 2 years	20%
2 years but less than 3 years	40%
3 years but less than 4 years	60%
4 years but less than 5 years	80%
5 years or more	100%

Notwithstanding the Vesting schedule set out above, the Committee may, in its discretion, establish a different Vesting schedule that will apply to Company True-up Contributions made to the Plan on behalf of any Participant for any Plan Year.

8.3 Vesting of Accounts Upon Normal Retirement Age, an Involuntary Separation from Service, or a Change in Control. Notwithstanding any other provision of the Plan, if a Participant continues service to the Company or an Affiliate until Normal Retirement Age, an involuntarily Separation from Service (other than for Cause), or the occurrence of a Change in Control, all Accounts shall immediately become 100% Vested.

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9. Payment of Participant Accounts.

9.1 In General. Payment of a Participant's Vested Account shall be made only upon one of the following events (each a "**Payment Event**"), as specified by the Participant in an Election Notice:

- (a) The Distribution Date specified by the Participant;
- (b) The Participant's Separation from Service;
- (c) The Participant's death;
- (d) The Participant's Disability;
- (e) The demonstration of an Unforeseeable Emergency (as specified in Section 10); or
- (f) The occurrence of a Change in Control.

9.2 Timing of Valuation. The value of a Participant's Account on the payment date shall be determined as of the applicable Determination Date.

9.3 Forfeiture of Un-Vested Account Balances. Unless otherwise determined by the Committee, a Participant's un-Vested Account balance shall be forfeited only upon a voluntary Separation from Service or an involuntary Separation from Service for Cause.

9.4 Timing of Payments. Except as otherwise provided in this Section 9, payments shall be made within 90 days following a Payment Event.

9.5 Timing of Payments to Specified Employees. Notwithstanding anything in the Plan to the contrary, if a Participant is a Specified Employee as of the date of his or her Separation from Service, then no distribution of such Participant's Account shall be made upon the Participant's Separation from Service until the first payroll date of the seventh month following the Participant's Separation from Service (or, if earlier, upon the date of the Participant's death) (the "**Specified Employee Payment Date**"). Any payments to which a Specified Employee otherwise would have been entitled under the Plan during the period between the Participant's Separation from Service and the Specified Employee Payment date shall be accumulated and paid in a lump sum payment on the Specified Employee Payment Date.

9.6 Form of Payment. Payments shall be made in single lump sum.

9.7 Medium of Payment. Any payment from a Participant's Account shall be made in cash.

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10. Payments Due to Unforeseeable Emergency.

10.1 Request for Payment. If a Participant suffers an Unforeseeable Emergency, he or she may submit a written request to the Committee for payment of his or her Vested Account.

10.2 No Payment If Other Relief Available. The Committee will evaluate the Participant's request for payment due to an Unforeseeable Emergency taking into account the Participant's circumstances and the requirements of Section 409A of the Code. In no event will payments be made pursuant to this Section 10 to the extent that the Participant's hardship can be relieved: (a) through reimbursement or compensation by insurance or otherwise; or (b) by liquidation of the Participant's assets, to the extent that liquidation of the Participant's assets would not itself cause severe financial hardship.

10.3 Limitation on Payment Amount. The amount of any payment made on account of an Unforeseeable Emergency shall not exceed the amount reasonably necessary to satisfy the Participant's financial need, including amounts necessary to pay any Federal, state or local income taxes or penalties reasonably anticipated to result from the payment, as determined by the Committee.

10.4 Timing of Payment. Payments shall be made from a Participant's Account as soon as practicable and in any event within 30 days following the Committee's determination that an Unforeseeable Emergency has occurred and authorization of payment from the Participant's Account.

10.5 Cessation of Deferrals. If a Participant receives payment on account of an Unforeseeable Emergency, the Participant may make no more Elective Deferrals for the remainder of the Plan Year.

11. Acceleration Events.

11.1 Permissible Acceleration Events. Notwithstanding anything in the Plan to the contrary, the Committee, in its sole discretion, may accelerate payment of all or a portion of a Participant's Vested Account upon the occurrence of any of the events ("**Acceleration Events**") set forth in this **Section 11**. The Committee's determination of whether payment may be accelerated in accordance with this **Section 11** shall be made in accordance with Treas. Reg. Section 1.409A-3(j)(4).

(a) Domestic Relations Orders. The Committee may accelerate payment of a Participant's Vested Account to the extent necessary to comply with a domestic relations order (as defined in Section 414(p)(1)(B) of the Code).

(b) Limited Cashouts. The Committee may accelerate payment of a Participant's Vested Account to the extent that (i) the aggregate amount in the Participant's Account does not exceed the applicable dollar amount under Section 402(g)(1)(B) of the Code, (ii) the payment results in the termination of the Participant's entire interest in the Plan and any plans that are aggregated with the Plan pursuant to Treas. Reg. Section 1.409A-1(c)(2), and (iii) the Committee's decision to cash out the Participant's Account is evidenced in writing no later than the date of payment.

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(c) Payment of Employment Taxes. The Committee may accelerate payment of all or a portion of a Participant's Vested Account (i) to pay the Federal Insurance Contributions Act (FICA) tax imposed under Sections 3010, 3121(a) and 3121(v)(2) of the Code (the "**FICA Amount**"), or (ii) to pay the income tax at source on wages imposed under Section 3401 of the Code or the corresponding withholding provisions of applicable state, local or foreign tax laws as a result of the payment of the FICA Amount and the additional income tax at source on wages attributable to the pyramiding Section 3401 wages and taxes; provided, however, that the total payment under this **Section 11.1(c)** shall not exceed the FICA Amount and the income tax withholding related to the FICA Amount.

(d) Payment Upon Income Inclusion. The Committee may accelerate payment of all or a portion of a Participant's Vested Account to the extent that the Plan fails to meet the requirements of Section 409A of the Code; provided that, the amount accelerated shall not exceed the amount required to be included in income as a result of the failure to comply with Section 409A of the Code.

(e) Termination of the Plan. The Committee may accelerate payment of all or a portion of a Participant's Vested Account upon termination of the Plan in accordance with Treas. Reg. Section 1.409A-3(j)(4)(ix).

(f) Payment of State, Local or Foreign Taxes. The Committee may accelerate payment of all or a portion of a Participant's Vested Account for:

(i) the payment of state, local or foreign tax obligations arising from participation in the Plan that relate to an amount deferred under the Plan before the amount is paid or made available to the Participant (the "**State, Local and Foreign Tax Amount**"); provided, however, the accelerated payment amount shall not exceed the taxes due as a result of participation in the Plan, and/or

(ii) the payment of income tax at source on wages imposed under Section 3401 of the Code as a result of such payment and the payment of the additional income tax at source on wages imposed under Section 3401 of the Code attributable to the additional Section 3401 wages and taxes; provided however, the accelerated payment amount shall not exceed the aggregate of the State, Local and Foreign Tax Amount and the income tax withholding related to such amount.

(g) Certain Offsets. The Committee may accelerate payment of all or a portion of the Participant's Vested Account to satisfy a debt of the Participant to the Company or an Affiliate incurred in the ordinary course of the service relationship between the Company and the Participant; provided, however, the amount accelerated shall not exceed \$5,000 and the payment shall be made at the same time and in the same amount as the debt otherwise would have been due and collected from the Participant.

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(h) Bona Fide Disputes as to Right to Payment. The Committee may accelerate payment of all or a portion of a Participant's Vested Account where the payment is part of a settlement between the Company or an Affiliate and the Participant of an arm's length, bona fide dispute as to the Participant's right to the deferred amount.

12. Section 162(m) of the Code. If the Committee reasonably anticipates that if a payment were made as scheduled under the Plan it would result in a loss of the Company's tax deduction due to the application of Section 162(m) of the Code, such payment can be delayed and paid (a) during the Participant's first taxable year in which the Committee reasonably anticipates that the Company's tax deduction will not be limited or eliminated by the application of Section 162(m) of the Code or (b) subject to **Section 9.5**, during the period beginning with the Participant's Separation from Service and ending on the later of the last day of the Company's taxable year in which the Participant separates from service or the 15th day of the third month following the Participant's Separation from Service. Notwithstanding the foregoing, no payment under the Plan may be deferred in accordance with this **Section 12** unless all scheduled payments to the Participant that could be delayed in accordance with Treas. Reg. Section 1.409A-2(b)(7)(i) are also delayed.

13. Plan Administration.

13.1 Administration by Committee. The Plan shall be administered by the Committee which shall have the authority to:

- (a) construe and interpret the Plan and apply its provisions;
  - (b) promulgate, amend and rescind rules and regulations relating to the administration of the Plan;
  - (c) authorize any person to execute, on behalf of the Company, any instrument required to carry out the purposes of the Plan;
  - (d) determine minimum or maximum amounts that Participants may elect to defer under the Plan;
  - (e) select the Investment Options that will be available for the deemed investment of Accounts under the Plan and establish procedures for permitting Participants to change their selected Investment Options;
  - (f) determine whether any Company True-up Contributions will be made to the Plan with respect to any Plan Year and the amount of any such contributions;
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- (g) select, subject to the limitations set forth in the Plan, those Employees who shall be Eligible Employees;
- (h) evaluate whether a Participant who has requested payment from his or her Account on account of an Unforeseeable Emergency has experienced an Unforeseeable Emergency and the amount of any payment necessary to satisfy the Participant's emergency need;
- (i) calculate deemed investment earnings and losses;
- (j) interpret, administer, reconcile any inconsistency in, correct any defect in and/or supply any omission in the Plan and any instrument, Election Notice or agreement relating to the Plan; and
- (k) exercise discretion to make any and all other determinations which it determines to be necessary or advisable for the administration of the Plan.

13.2 Non-Uniform Treatment. The Committee's determinations under the Plan need not be uniform and any such determinations may be made selectively among Participants. Without limiting the generality of the foregoing, the Committee shall be entitled, among other things, to make non-uniform and selective determinations with regard to: (a) the terms or conditions of any Elective Deferral; (b) the amount, terms or conditions of any Company True-up Contribution; or (c) the availability of Investment Options.

13.3 Committee Decisions Final. Subject to **Section 16**, all decisions made by the Committee pursuant to the provisions of the Plan shall be final and binding on the Company and the Participants, unless such decisions are determined by a court having jurisdiction to be arbitrary and capricious.

13.4 Indemnification. No member of the Committee or any designee shall be liable for any action, failure to act, determination or interpretation made in good faith with respect to the Plan except for any liability arising from his or her own willful malfeasance, gross negligence or reckless disregard of his or her duties.

14. Amendment and Termination.

14.1 The Committee may, at any time, and in its discretion, alter, amend, modify, suspend or terminate the Plan or any portion thereof; provided, however, that no such amendment, modification, suspension or termination shall, without the consent of a Participant, adversely affect such Participant's rights with respect to amounts credited to or accrued in his or her Account and provided, further, that, no payment of benefits shall occur upon termination of the Plan unless the requirements of Section 409A of the Code have been met.

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15. Miscellaneous.

15.1 No Employment or Other Service Rights. Nothing in the Plan or any instrument executed pursuant thereto shall confer upon any Participant any right to continue to serve the Company or an Affiliate or interfere in any way with the right of the Company or any Affiliate to terminate the Participant's employment or service at any time with or without notice and with or without cause.

15.2 Tax Withholding. The Company and its Affiliates shall have the right to deduct from any amounts otherwise payable under the Plan any federal, state, local, or other applicable taxes required to be withheld.

15.3 Governing Law. The Plan shall be administered, construed and governed in all respects under and by the laws of North Dakota, without reference to the principles of conflicts of law (except and to the extent preempted by applicable Federal law).

15.4 Section 409A of the Code. The Company intends that the Plan comply with the requirements of Section 409A of the Code and shall be operated and interpreted consistent with that intent. Notwithstanding the foregoing, the Company makes no representation that the Plan complies with Section 409A of the Code and shall have no liability to any Participant for any failure to comply with Section 409A of the Code.

This Plan shall constitute an "account balance plan" as defined in Treas. Reg. Section 31.3121(v)(2)-1(c)(1)(ii)(A). For purposes of Section 409A of the Code, all amounts deferred under this Plan shall be aggregated with amounts deferred under other account balance plans.

15.5 General Assets/Trust. All amounts provided under the Plan shall be paid from the general assets of the Company and no separate fund shall be established to secure payment. Notwithstanding the foregoing, the Company may, but need not, establish a rabbi trust to assist it in funding any Plan obligations. Notwithstanding the existence of any such trust, the Plan is intended to be "unfunded" for purposes of ERISA and shall not be construed as providing income to Participants prior to the date that amounts deferred under the Plan are paid.

15.6 No Warranties. Neither the Company nor the Committee warrants or represents that the value of any Participant's Account will increase. Each Participant assumes the risk in connection with the deemed investment of his or her Account.

15.7 Beneficiary Designation. Each Participant under the Plan may from time to time name any beneficiary or beneficiaries to receive the Participant's interest in the Plan in the event of the Participant's death. Each designation will revoke all prior designations by the same Participant, shall be in a form reasonably prescribed by the Committee and shall be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. If a Participant fails to designate a beneficiary, then the Participant's designated beneficiary shall be deemed to be the Participant's estate.

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15.8 No Assignment. Neither a Participant nor any other person shall have any right to sell, assign, transfer, pledge, anticipate or otherwise encumber, transfer, hypothecate or convey any amounts payable hereunder prior to the date that such amounts are paid (except for the designation of beneficiaries pursuant to **Section 15.7**).

15.9 Expenses. The costs of administering the Plan shall be paid by the Company.

15.10 Severability. If any provision of the Plan is held to be invalid, illegal or unenforceable, whether in whole or in part, such provision shall be deemed modified to the extent of such invalidity, illegality or unenforceability and the remaining provisions shall not be affected.

15.11 Headings and Subheadings. Headings and subheadings in the Plan are for convenience only and are not to be considered in the construction of the provisions hereof.

16. Claims Procedures.

16.1 Filing a Claim. Any Participant or other person claiming an interest in the Plan (the "**Claimant**") may file a claim in writing with the Committee. The Committee shall review the claim itself or appoint an individual or entity to review the claim.

16.2 Claim Decision. The Claimant shall be notified within ninety (90) days after the claim is filed whether the claim is approved or denied, unless the Committee determines that special circumstances beyond the control of the Plan require an extension of time, in which case the Committee may have up to an additional ninety (90) days to process the claim. If the Committee determines that an extension of time for processing is required, the Committee shall furnish written or electronic notice of the extension to the Claimant before the end of the initial ninety (90) day period. Any notice of extension shall describe the special circumstances necessitating the additional time and the date by which the Committee expects to render its decision.

16.3 Notice of Denial. If the Committee denies the claim, it must provide to the Claimant, in writing or by electronic communication, a notice which includes:

- (a) The specific reason(s) for the denial;
  - (b) Specific reference to the pertinent Plan provisions on which such denial is based;
  - (c) A description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation of why such material or information is necessary;
  - (d) A description of the Plan's appeal procedures and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following a denial of the claim on appeal; and
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(e) If an internal rule was relied on to make the decision, either a copy of the internal rule or a statement that this information is available at no charge upon request.

16.4 Appeal Procedures. A request for appeal of a denied claim must be made in writing to the Committee within sixty (60) days after receiving notice of denial. The decision on appeal will be made within sixty (60) days after the Committee's receipt of a request for appeal, unless special circumstances require an extension of time for processing, in which case a decision will be rendered not later than one hundred twenty (120) days after receipt of a request for appeal. A notice of such an extension must be provided to the Claimant within the initial sixty (60) day period and must explain the special circumstances and provide an expected date of decision. The reviewer shall afford the Claimant an opportunity to review and receive, without charge, all relevant documents, information and records and to submit issues and comments in writing to the Committee. The reviewer shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim regardless of whether the information was submitted or considered in the initial benefit determination.

16.5 Notice of Decision on Appeal. If the Committee denies the appeal, it must provide to the Claimant, in writing or by electronic communication, a notice which includes:

- (a) The specific reason(s) for the denial;
- (b) Specific references to the pertinent Plan provisions on which such denial is based;
- (c) A statement that the Claimant may receive on request all relevant records at no charge;
- (d) A description of the Plan's voluntary procedures and deadlines, if any;
- (e) A statement of the Claimant's right to sue under Section 502(a) of ERISA; and
- (f) If an internal rule was relied on to make the decision, either a copy of the internal rule or a statement that this information is available at no charge upon request.

16.6 Claims Procedures Mandatory. The internal claims procedures set forth in this **Section 16** are mandatory. If a Claimant fails to follow these claims procedures, or to timely file a request for appeal in accordance with this **Section 16**, the denial of the Claim shall become final and binding on all persons for all purposes.

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IN WITNESS WHEREOF, Nodak Mutual Insurance Company has adopted this Plan as of the Effective Date written above.

Nodak Mutual Insurance Company

By: \_\_\_\_\_

Name:

Title:

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**EMPLOYMENT AGREEMENT**

**THIS AGREEMENT** (“Agreement”) is made as of this 28th day of April, 2016 (the “Effective Date”), between NI Holdings, Inc., a North Dakota business corporation, (the “Corporation”), NODAK Mutual Insurance Company, a North Dakota mutual insurance company (the “Company”), and Michael J. Alexander, an adult individual (“Executive”).

**WITNESSETH:**

**WHEREAS**, the Corporation, the Company, and Executive desire to enter into an agreement providing for the terms of Executive’s employment with the Corporation and the Company.

**AGREEMENT**

**NOW, THEREFORE**, the parties hereto, intending to be legally bound, agree as follows:

1. **Employment.** The Corporation and the Company employ Executive and Executive hereby accepts employment with the Corporation and the Company, on the terms and conditions set forth in this Agreement.

2. **Duties of Employee.** Executive shall serve as President and Chief Executive Officer of the Corporation and the Company and shall report directly to the Chairman of the Board of Directors of the Corporation (the “Corporation Board”) and the Company (the “Company Board”). Executive shall submit such direct reports as are needed, from time to time, and shall be responsible for the day-to-day operations of the Corporation and the Company and shall perform all reasonable duties assigned by the respective Board. Executive shall devote his full time, attention and energies to the business of the Corporation and the Company during the Employment Period (as defined in Section 3 of this Agreement); provided, however, that this Section 2 shall not be construed as preventing Executive from (a) engaging in activities incident or necessary to personal investments, (b) acting as a member of the board of directors of any non-profit association or corporation, or (c) being involved in any other business activity with the prior approval of the Corporation Board. Executive shall not engage in any business or commercial activities, duties or pursuits which compete with the business or commercial activities of the Corporation or the Company, nor may Executive serve as a director or officer or in any other capacity in a company which competes with the Corporation or the Company.

3. **Term of Agreement.**

(a) **Employment Period.** This Agreement shall be for a period (the “Employment Period”) beginning on the Effective Date, and if not previously terminated pursuant to the terms of this Agreement, continuing until the third anniversary hereof; provided, however, that on a daily basis, one additional day shall be added to the term of this Agreement, so that the Employment Period shall always be three (3) years, unless either the Executive or the Corporation shall have provided the other with written notice of its intention to cease extending the term of this Agreement.

(b) Notwithstanding anything herein contained to the contrary, nothing in this Agreement shall mandate or prohibit a continuation of Executive's employment following the expiration of the term of this Agreement upon such terms as the Corporation Board and Executive may mutually agree.

(c) Termination for Cause. Notwithstanding the provisions of Section 3(a) of this Agreement, this Agreement may be terminated by the Corporation and the Company for Cause (as defined herein). As used in this Agreement, "Cause" shall mean any of the following:

(i) Executive willfully fails or refuses to substantially perform the Executive's responsibilities under this Agreement, after demand for substantial performance has been given by the Corporation Board that specifically identifies how the Executive has failed to perform such responsibilities;

(ii) Executive engages in gross misconduct which is materially and demonstrably injurious to the Corporation or the Company;

(iii) Executive is convicted of a felony or pleads guilty or *nolo contendere* to a felony;

(iv) Executive materially breaches Section 6 of this Agreement;

(v) Executive engages in any act of fraud (including misappropriation of the Corporation's or the Company's funds or property) in connection with the business of the Corporation or the Company which is materially and demonstrably injurious to the Corporation or the Company; or

(vi) Executive is disqualified or barred by any governmental or self-regulatory authority from serving in the capacity contemplated by this Agreement.

If this Agreement is terminated for Cause, all of Executive's rights under this Agreement shall cease as of the effective date of such termination, except that:

(i) the Company shall pay to Executive the unpaid portion, if any, of his Annual Base Salary through the date of termination; and

(ii) the Company shall provide to Executive such post-employment benefits, if any, as may be provided for under the terms of the employee benefit plans of the Company then in effect.

(d) Death. Notwithstanding the provisions of Section 3(a) of this Agreement, this Agreement shall terminate automatically upon Executive's death and Executive's rights under this Agreement shall cease as of the date of such termination, except that (i) the Company shall pay to Executive's spouse, personal representative, or estate the unpaid portion, if any, of his Annual Base Salary through date of death and (ii) the Company shall provide to Executive's dependents any benefits due under the Company's employee benefit plans.

(e) Disability. Executive, the Corporation and the Company agree that if Executive becomes Disabled, within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and the regulations thereunder, and becomes eligible for employer-provided short-term and/or long-term disability benefits, or worker’s compensation benefits, then the Company’s obligation to pay Executive his Annual Base Salary shall be reduced by the amount of the disability or worker’s compensation benefits received by Executive.

Executive, the Corporation and the Company agree that if, in the judgment of the Corporation Board, Executive is unable, as a result of illness or injury, to perform the essential functions of his position on a full-time basis with or without a reasonable accommodation and without posing a direct threat to himself or others for a period of six months, the Company will suffer an undue hardship in continuing Executive’s employment as set forth in this Agreement. Accordingly, this Agreement shall terminate at the end of the six-month period, and all of Executive’s rights under this Agreement shall cease, with the exception of any unpaid Annual Base Salary through the date of termination and those rights which Executive may have under the Company’s employee benefit plans.

(f) Resignation from Board of Directors. In the event Executive’s employment under this Agreement is terminated for any reason, if applicable, Executive’s service as a Director of the Corporation or the Company and any affiliate or subsidiary thereof shall immediately terminate. This Section 3(f) shall constitute a resignation notice for such purposes.

#### **4. Employment Period Compensation, Benefits and Expenses.**

(a) Annual Base Salary. For services performed by Executive under this Agreement, the Company shall pay Executive an annual base salary during the Employment Period at the rate of \$525,000 per year, minus applicable withholdings and deductions, payable at the same times as salaries are payable to other executive employees of the Company (the “Annual Base Salary”). The Annual Base Salary shall be reviewed annually by the Company Board and the Company Board may, from time to time, increase Executive’s Annual Base Salary, and any and all such increases shall be deemed to constitute amendments to this Section 4(a) to reflect the increased amounts, effective as of the date established for such increases.

(b) Bonus. The Executive shall participate in any equity incentive plan and short-term performance plan generally made available to executive officers of the Company.

(c) Vacations, Holidays, etc. During the term of this Agreement, Executive shall be entitled to paid annual vacation in accordance with the policies as established from time to time by the Company. Executive shall also be entitled to all paid holidays, sick days and personal days provided by the Company to its regular full-time employees and senior executive officers.

(d) Employee Benefit Plans. During the term of this Agreement, Executive shall be entitled to participate in or receive the benefits of any employee benefit plan currently in effect at the Company, subject to the eligibility and terms of each such plan, until such time that the Company authorizes a change in such benefits.

(e) Business Expenses. During the term of this Agreement, Executive shall be entitled to receive prompt reimbursement for all customary and usual expenses incurred by him, which are properly accounted for, in accordance with the policies and procedures established by the Company.

#### **5. Rights in Event of Termination of Employment**

(a) If Executive's employment is involuntarily terminated by the Corporation and the Company without Cause (other than for death or Disability), or the Executive voluntarily terminates employment for Good Reason (as defined below), Executive shall be entitled to receive the compensation and benefits set forth below:

(i) Executive shall be entitled to receive an annual amount equal to (A) his Annual Base Salary plus (B) the average annual bonus for the preceding three (3) calendar years. Such annual amount shall be multiplied by the number of full calendar months remaining in the Employment Period divided by twelve (12). The resulting amount shall be paid by the Company in one lump sum within ten (10) calendar days of such termination.

(ii) Also, in such event, Executive shall, for the remaining Employment Period, continue to participate in any benefit plans of the Company that provide health (including medical and dental) coverage, upon terms no less favorable than the most favorable terms provided to senior executives of the Company during such period. In the event that the Company is unable to provide such coverage by reason of Executive no longer being an employee, the Company shall provide Executive an amount equal to the total after-tax cost to Employee, for each month that is then remaining in the Employment Period, of obtaining such coverage.

(b) "Good Reason" shall mean (i) a material diminution in salary, (ii) a material diminution in authority, duties or responsibilities, (iii) a change in Executive's title, or (iv) a reassignment which assigns full-time employment duties to Executive at a location more than twenty (20) miles from the Company's principal executive office on the date of this Agreement, in all cases after notice from Executive to the Company within ninety (90) days after the initial existence of any such condition that the condition constitutes Good Reason and the failure of the Company to cure such situation within thirty (30) days after said notice.

(c) Executive shall not be required to mitigate the amount of any payment provided for in this Section 5 by seeking other employment or otherwise, nor shall the amount of payment or the benefit provided for in this Section 5 be reduced by any compensation earned by Executive as the result of employment by another employer or by reason of Executive's receipt of or right to receive any retirement or other benefits after the date of termination of employment or otherwise.

6. **Unauthorized Disclosure.** During the term of his employment hereunder, or at any later time, Executive shall not, without the written consent of the Company Board or a person authorized thereby (except as may be required pursuant to a subpoena or other legal process), knowingly disclose to any person, other than an employee of the Company or a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by Executive of his duties as an executive of the Company, any material confidential information obtained by him while in the employ of the Company with respect to any of the Company's or any of its subsidiaries' services, products, improvements, formulas, designs or styles, processes, customers, methods of business or any business practices the disclosure of which could be or will be damaging to the Company; provided, however, that confidential information shall not include any information known generally to the public (other than as a result of unauthorized disclosure by Executive or any person with the assistance, consent or direction of Executive) or any information of a type not otherwise considered confidential by persons engaged in the same business or a business similar to that conducted by the Company or any information that must be disclosed as required by law.

7. **Requirement of Release.** Notwithstanding anything herein to the contrary, Executive's entitlement to any payments under Section 5 shall be contingent upon Executive's prior agreement with and signature to a complete release agreement in the form as mutually agreed by the parties. Such release agreement shall be executed, if at all, and the applicable payments and benefits contingent upon the execution of such agreement shall be provided or commence being provided, if at all, within sixty (60) days following the date of termination; provided, however, that if such sixty (60) day period begins in one taxable year and ends in a second taxable year, the payments and benefits will be provided or commence being provided, if at all, in the second taxable year.

8. **Notices.** Except as otherwise provided in this Agreement, any notice required or permitted to be given under this Agreement shall be deemed properly given if in writing and if mailed by United States registered or certified mail, postage prepaid with return receipt requested, to Executive's address, in the case of notices to Executive, and to the principal executive office of the Company, in the case of notice to the Company.

9. **Waiver.** No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Executive and an executive officer of the Corporation and the Company specifically designated by the respective Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

10. **Assignment.** This Agreement shall not be assignable by any party, except by the Company to any successor in interest to its business.

11. **Entire Agreement.** This Agreement contains the entire agreement of the parties relating to the subject matter of this Agreement and supersedes and replaces any prior written or oral agreements between them respecting the within subject matter.

12. **Successors; Binding Agreement.**

(a) The Corporation and the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Corporation or the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation and Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Corporation" and "Company" shall mean the Corporation and the Company as defined previously and any successor to their respective business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

(b) This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, heirs, distributees, devisees or legatees. If Executive should die following termination of Executive's employment without Cause, and any amounts would be payable to Executive under this Agreement if Executive had continued to live, all such amounts shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee, or other designee, or, if there is no such designee, to Executive's estate.

13. **Legal Expenses.** The Company shall reimburse Executive for all reasonable legal fees and expenses he may incur in seeking to obtain or enforce any right or benefit provided by this Agreement, but only with respect to such claim or claims upon which Executive prevails. Such payments shall be made within fourteen (14) days after delivery of Executive's written request for payment accompanied with such evidence of fees and expenses incurred as the Company may reasonably require.

14. **Validity.** The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

15. **Applicable Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of North Dakota, without regard to its conflict of laws principles.

16. **Headings.** The section headings of this Agreement are for convenience only and shall not control or affect the meaning or construction or limit the scope or intent of any of the provisions of this Agreement.

17. **Limitations on Payments.**

(a) Notwithstanding anything in this Agreement to the contrary, in the event the payments and benefits payable hereunder to or on behalf of Executive, when added to all other amounts and benefits payable to or on behalf of Executive, would result in the imposition of an excise tax under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), the amounts and benefits payable hereunder shall be reduced to such extent as may be necessary to avoid such imposition. All calculations required to be made under this subsection will be made by the Company's independent public accountants, subject to the right of Executive's representative to review the same. The parties recognize that the actual implementation of the provisions of this subsection are complex and agree to deal with each other in good faith to resolve any questions or disagreements arising hereunder.

(b) All payments made to the Executive pursuant to this Agreement or otherwise, are subject to and conditioned upon their compliance with applicable laws and any regulations promulgated thereunder.

18. **Recovery of Bonuses and Incentive Compensation.** Notwithstanding anything in this Agreement to the contrary, all bonuses and incentive compensation, but not Annual Base Salary or payments due Executive under Section 5, paid hereunder (whether in equity or in cash) shall be subject to recovery by the Company in the event that such bonuses or incentive compensation are based on materially inaccurate financial statements or other materially inaccurate performance metric criteria; provided that a determination as to the recovery of a bonus or incentive compensation shall be made within twenty-four (24) months following the date such bonus or incentive compensation was paid. In the event that the Company Board determines that a bonus or incentive compensation payment to Executive is recoverable, Executive shall reimburse all or a portion of such bonus or incentive compensation, to the fullest extent permitted by law, as soon as practicable following written notice to Executive by the Company of the same.

19. **Application of Code Section 409A.**

(a) Notwithstanding anything in this Agreement to the contrary, the receipt of any benefits under this Agreement as a result of a termination of employment shall be subject to satisfaction of the condition precedent that Executive undergo a "separation from service" within the meaning of Treas. Reg. § 1.409A-1(h) or any successor thereto. In addition, if Executive is deemed to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provisions of any benefit that is required to be delayed pursuant to Code Section 409A(a)(2)(B), such payment or benefit shall not be made or provided prior to the earlier of (i) the expiration of the six (6) month period measured from the date of Executive's "separation from service" (as such term is defined in Treas. Reg. § 1.409A-1(h)), or (ii) the date of Executive's death (the "Delay Period"). Within ten (10) days following the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to Executive in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. Notwithstanding the foregoing, to the extent that the foregoing applies to the provision of any ongoing welfare benefits to Executive that would not be required to be delayed if the premiums therefore were paid by Executive, Executive shall pay the full costs of premiums for such welfare benefits during the Delay Period and the Company shall pay Executive an amount equal to the amount of such premiums paid by Executive during the Delay Period within ten (10) days after the conclusion of such Delay Period.

(b) Except as otherwise expressly provided herein, to the extent any expense reimbursement or other in-kind benefit is determined to be subject to Code Section 409A, the amount of any such expenses eligible for reimbursement or in-kind benefits in one calendar year shall not affect the expenses eligible for reimbursement or in-kind benefits in any other taxable year (except under any lifetime limit applicable to expenses for medical care), in no event shall any expenses be reimbursed or in-kind benefits be provided after the last day of the calendar year following the calendar year in which Executive incurred such expenses or received such benefits, and in no event shall any right to reimbursement or in-kind benefits be subject to liquidation or exchange for another benefit.

(c) Any payments made pursuant to Section 5, to the extent of payments made from the date of termination through March 15th of the calendar year following such date, are intended to constitute separate payments for purposes of Treas. Reg. §1.409A-2(b)(2) and thus payable pursuant to the “short-term deferral” rule set forth in Treas. Reg. §1.409A-1(b)(4); to the extent such payments are made following said March 15th, they are intended to constitute separate payments for purposes of Treas. Reg. §1.409A-2(b)(2) made upon an involuntary termination from service and payable pursuant to Treas. Reg. §1.409A-1(b)(9)(iii), to the maximum extent permitted by said provision.

(d) To the extent it is determined that any benefits described in Section 5(a)(ii) are taxable to Executive, they are intended to be payable pursuant to Treas. Reg. §1.409A-1(b)(9)(v), to the maximum extent permitted by said provision.

[SIGNATURES NEXT PAGE]



**IN WITNESS WHEREOF**, the parties have executed this Agreement as of the Effective Date.

ATTEST:

NODAK MUTUAL INSURANCE COMPANY

\_\_\_\_\_

By: \_\_\_\_\_

Secretary

ATTEST:

NI HOLDINGS, INC.

\_\_\_\_\_

By: \_\_\_\_\_

Secretary

WITNESS:

MICHAEL J. ALEXANDER

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**EMPLOYMENT AGREEMENT**

**THIS AGREEMENT** (“Agreement”) is made as of this 28th day of April, 2016 (the “Effective Date”), between NI Holdings, Inc., a North Dakota business corporation, (the “Corporation”), NODAK Mutual Insurance Company, a North Dakota mutual insurance company (the “Company”), and Brian R. Doom, an adult individual (“Executive”).

**WITNESSETH:**

**WHEREAS**, the Corporation, the Company, and Executive desire to enter into an agreement providing for the terms of Executive’s employment with the Corporation and the Company.

**AGREEMENT**

**NOW, THEREFORE**, the parties hereto, intending to be legally bound, agree as follows:

1. **Employment.** The Corporation and the Company employ Executive and Executive hereby accepts employment with the Corporation and the Company, on the terms and conditions set forth in this Agreement.

2. **Duties of Employee.** Executive shall serve as Vice President of Finance and Chief Financial Officer of the Corporation and the Company and shall report directly to the Chief Executive Officer of the Corporation and the Company. Executive shall devote his full time, attention and energies to the business of the Corporation and the Company during the Employment Period (as defined in Section 3 of this Agreement); provided, however, that this Section 2 shall not be construed as preventing Executive from (a) engaging in activities incident or necessary to personal investments, (b) acting as a member of the board of directors of any non-profit association or corporation, or (c) being involved in any other business activity with the prior approval of the Board of Directors of the Corporation (the “Corporation Board”). Executive shall not engage in any business or commercial activities, duties or pursuits which compete with the business or commercial activities of the Corporation or the Company, nor may Executive serve as a director or officer or in any other capacity in a company which competes with the Corporation or the Company.

3. **Term of Agreement.**

(a) **Employment Period.** This Agreement shall be for a period (the “Employment Period”) beginning on the Effective Date, and if not previously terminated pursuant to the terms of this Agreement, continuing until the second anniversary hereof; provided, however, that on a daily basis, one additional day shall be added to the term of this Agreement, so that the Employment Period shall always be two (2) years, unless either the Executive or the Corporation shall have provided the other with written notice of its intention to cease extending the term of this Agreement.

(b) Notwithstanding anything herein contained to the contrary, nothing in this Agreement shall mandate or prohibit a continuation of Executive's employment following the expiration of the term of this Agreement upon such terms as the Corporation Board and Executive may mutually agree.

(c) Termination for Cause. Notwithstanding the provisions of Section 3(a) of this Agreement, this Agreement may be terminated by the Corporation and the Company for Cause (as defined herein). As used in this Agreement, "Cause" shall mean any of the following:

(i) Executive willfully fails or refuses to substantially perform the Executive's responsibilities under this Agreement, after demand for substantial performance has been given by the Corporation Board that specifically identifies how the Executive has failed to perform such responsibilities;

(ii) Executive engages in gross misconduct which is materially and demonstrably injurious to the Corporation or the Company;

(iii) Executive is convicted of a felony or pleads guilty or *nolo contendere* to a felony;

(iv) Executive materially breaches Section 6 of this Agreement;

(v) Executive engages in any act of fraud (including misappropriation of the Corporation's or the Company's funds or property) in connection with the business of the Corporation or the Company which is materially and demonstrably injurious to the Corporation or the Company; or

(vi) Executive is disqualified or barred by any governmental or self-regulatory authority from serving in the capacity contemplated by this Agreement.

If this Agreement is terminated for Cause, all of Executive's rights under this Agreement shall cease as of the effective date of such termination, except that:

(i) the Company shall pay to Executive the unpaid portion, if any, of his Annual Base Salary through the date of termination; and

(ii) the Company shall provide to Executive such post-employment benefits, if any, as may be provided for under the terms of the employee benefit plans of the Company then in effect.

(d) Death. Notwithstanding the provisions of Section 3(a) of this Agreement, this Agreement shall terminate automatically upon Executive's death and Executive's rights under this Agreement shall cease as of the date of such termination, except that (i) the Company shall pay to Executive's spouse, personal representative, or estate the unpaid portion, if any, of his Annual Base Salary through date of death and (ii) the Company shall provide to Executive's dependents any benefits due under the Company's employee benefit plans.

(e) Disability. Executive, the Corporation and the Company agree that if Executive becomes Disabled, within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and the regulations thereunder, and becomes eligible for employer-provided short-term and/or long-term disability benefits, or worker’s compensation benefits, then the Company’s obligation to pay Executive his Annual Base Salary shall be reduced by the amount of the disability or worker’s compensation benefits received by Executive.

Executive, the Corporation and the Company agree that if, in the judgment of the Corporation Board, Executive is unable, as a result of illness or injury, to perform the essential functions of his position on a full-time basis with or without a reasonable accommodation and without posing a direct threat to himself or others for a period of six months, the Company will suffer an undue hardship in continuing Executive’s employment as set forth in this Agreement. Accordingly, this Agreement shall terminate at the end of the six-month period, and all of Executive’s rights under this Agreement shall cease, with the exception of any unpaid Annual Base Salary through the date of termination and those rights which Executive may have under the Company’s employee benefit plans.

#### **4. Employment Period Compensation, Benefits and Expenses.**

(a) Annual Base Salary. For services performed by Executive under this Agreement, the Company shall pay Executive an annual base salary during the Employment Period at the rate of \$255,000 per year, minus applicable withholdings and deductions, payable at the same times as salaries are payable to other executive employees of the Company (the “Annual Base Salary”). The Annual Base Salary shall be reviewed annually by the Board of Directors of the Company (the “Company Board”) and the Company Board may, from time to time, increase Executive’s Annual Base Salary, and any and all such increases shall be deemed to constitute amendments to this Section 4(a) to reflect the increased amounts, effective as of the date established for such increases.

(b) Bonus. The Executive shall participate in any equity incentive plan and short-term performance plan generally made available to executive officers of the Company.

(c) Vacations, Holidays, etc. During the term of this Agreement, Executive shall be entitled to paid annual vacation in accordance with the policies as established from time to time by the Company. Executive shall also be entitled to all paid holidays, sick days and personal days provided by the Company to its regular full-time employees and senior executive officers.

(d) Employee Benefit Plans. During the term of this Agreement, Executive shall be entitled to participate in or receive the benefits of any employee benefit plan currently in effect at the Company, subject to the eligibility and terms of each such plan, until such time that the Company authorizes a change in such benefits.

(e) Business Expenses. During the term of this Agreement, Executive shall be entitled to receive prompt reimbursement for all customary and usual expenses incurred by him, which are properly accounted for, in accordance with the policies and procedures established by the Company.

## 5. **Rights in Event of Termination of Employment.**

(a) If Executive's employment is involuntarily terminated by the Corporation and the Company without Cause (other than for death or Disability), or the Executive voluntarily terminates employment for Good Reason (as defined below), Executive shall be entitled to receive the compensation and benefits set forth below:

(i) Executive shall be entitled to receive an annual amount equal to (A) his Annual Base Salary plus (B) the average annual bonus for the preceding three (3) calendar years. Such annual amount shall be multiplied by the number of full calendar months remaining in the Employment Period divided by twelve (12). The resulting amount shall be paid by the Company in one lump sum within ten (10) calendar days of such termination.

(ii) Also, in such event, Executive shall, for the remaining Employment Period, continue to participate in any benefit plans of the Company that provide health (including medical and dental) coverage, upon terms no less favorable than the most favorable terms provided to senior executives of the Company during such period. In the event that the Company is unable to provide such coverage by reason of Executive no longer being an employee, the Company shall provide Executive an amount equal to the total after-tax cost to Employee, for each month that is then remaining in the Employment Period, of obtaining such coverage.

(b) "Good Reason" shall mean (i) a material diminution in salary, (ii) a material diminution in authority, duties or responsibilities, (iii) a change in Executive's title, or (iv) a reassignment which assigns full-time employment duties to Executive at a location more than twenty (20) miles from the Company's principal executive office on the date of this Agreement, in all cases after notice from Executive to the Company within ninety (90) days after the initial existence of any such condition that the condition constitutes Good Reason and the failure of the Company to cure such situation within thirty (30) days after said notice.

(c) Executive shall not be required to mitigate the amount of any payment provided for in this Section 5 by seeking other employment or otherwise, nor shall the amount of payment or the benefit provided for in this Section 5 be reduced by any compensation earned by Executive as the result of employment by another employer or by reason of Executive's receipt of or right to receive any retirement or other benefits after the date of termination of employment or otherwise.

6. **Unauthorized Disclosure.** During the term of his employment hereunder, or at any later time, Executive shall not, without the written consent of the Company Board or a person authorized thereby (except as may be required pursuant to a subpoena or other legal process), knowingly disclose to any person, other than an employee of the Company or a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by Executive of his duties as an executive of the Company, any material confidential information obtained by him while in the employ of the Company with respect to any of the Company's or any of its subsidiaries' services, products, improvements, formulas, designs or styles, processes, customers, methods of business or any business practices the disclosure of which could be or will be damaging to the Company; provided, however, that confidential information shall not include any information known generally to the public (other than as a result of unauthorized disclosure by Executive or any person with the assistance, consent or direction of Executive) or any information of a type not otherwise considered confidential by persons engaged in the same business or a business similar to that conducted by the Company or any information that must be disclosed as required by law.

7. **Requirement of Release.** Notwithstanding anything herein to the contrary, Executive's entitlement to any payments under Section 5 shall be contingent upon Executive's prior agreement with and signature to a complete release agreement in the form as mutually agreed by the parties. Such release agreement shall be executed, if at all, and the applicable payments and benefits contingent upon the execution of such agreement shall be provided or commence being provided, if at all, within sixty (60) days following the date of termination; provided, however, that if such sixty (60) day period begins in one taxable year and ends in a second taxable year, the payments and benefits will be provided or commence being provided, if at all, in the second taxable year.

8. **Notices.** Except as otherwise provided in this Agreement, any notice required or permitted to be given under this Agreement shall be deemed properly given if in writing and if mailed by United States registered or certified mail, postage prepaid with return receipt requested, to Executive's address, in the case of notices to Executive, and to the principal executive office of the Company, in the case of notice to the Company.

9. **Waiver.** No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Executive and an executive officer of the Corporation and the Company specifically designated by the respective Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

10. **Assignment.** This Agreement shall not be assignable by any party, except by the Company to any successor in interest to its business.

11. **Entire Agreement.** This Agreement contains the entire agreement of the parties relating to the subject matter of this Agreement and supersedes and replaces any prior written or oral agreements between them respecting the within subject matter.

12. **Successors; Binding Agreement.**

(a) The Corporation and the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Corporation or the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation and Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Corporation" and "Company" shall mean the Corporation and the Company as defined previously and any successor to their respective business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

(b) This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, heirs, distributees, devisees or legatees. If Executive should die following termination of Executive's employment without Cause, and any amounts would be payable to Executive under this Agreement if Executive had continued to live, all such amounts shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee, or other designee, or, if there is no such designee, to Executive's estate.

13. **Legal Expenses.** The Company shall reimburse Executive for all reasonable legal fees and expenses he may incur in seeking to obtain or enforce any right or benefit provided by this Agreement, but only with respect to such claim or claims upon which Executive prevails. Such payments shall be made within fourteen (14) days after delivery of Executive's written request for payment accompanied with such evidence of fees and expenses incurred as the Company may reasonably require.

14. **Validity.** The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

15. **Applicable Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of North Dakota, without regard to its conflict of laws principles.

16. **Headings.** The section headings of this Agreement are for convenience only and shall not control or affect the meaning or construction or limit the scope or intent of any of the provisions of this Agreement.

17. **Limitations on Payments.**

(a) Notwithstanding anything in this Agreement to the contrary, in the event the payments and benefits payable hereunder to or on behalf of Executive, when added to all other amounts and benefits payable to or on behalf of Executive, would result in the imposition of an excise tax under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), the amounts and benefits payable hereunder shall be reduced to such extent as may be necessary to avoid such imposition. All calculations required to be made under this subsection will be made by the Company's independent public accountants, subject to the right of Executive's representative to review the same. The parties recognize that the actual implementation of the provisions of this subsection are complex and agree to deal with each other in good faith to resolve any questions or disagreements arising hereunder.

(b) All payments made to the Executive pursuant to this Agreement or otherwise, are subject to and conditioned upon their compliance with applicable laws and any regulations promulgated thereunder.

18. **Recovery of Bonuses and Incentive Compensation.** Notwithstanding anything in this Agreement to the contrary, all bonuses and incentive compensation, but not Annual Base Salary or payments due Executive under Section 5, paid hereunder (whether in equity or in cash) shall be subject to recovery by the Company in the event that such bonuses or incentive compensation are based on materially inaccurate financial statements or other materially inaccurate performance metric criteria; provided that a determination as to the recovery of a bonus or incentive compensation shall be made within twenty-four (24) months following the date such bonus or incentive compensation was paid. In the event that the Company Board determines that a bonus or incentive compensation payment to Executive is recoverable, Executive shall reimburse all or a portion of such bonus or incentive compensation, to the fullest extent permitted by law, as soon as practicable following written notice to Executive by the Company of the same.

19. **Application of Code Section 409A.**

(a) Notwithstanding anything in this Agreement to the contrary, the receipt of any benefits under this Agreement as a result of a termination of employment shall be subject to satisfaction of the condition precedent that Executive undergo a “separation from service” within the meaning of Treas. Reg. § 1.409A-1(h) or any successor thereto. In addition, if Executive is deemed to be a “specified employee” within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provisions of any benefit that is required to be delayed pursuant to Code Section 409A(a)(2)(B), such payment or benefit shall not be made or provided prior to the earlier of (i) the expiration of the six (6) month period measured from the date of Executive’s “separation from service” (as such term is defined in Treas. Reg. § 1.409A-1(h)), or (ii) the date of Executive’s death (the “Delay Period”). Within ten (10) days following the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to Executive in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. Notwithstanding the foregoing, to the extent that the foregoing applies to the provision of any ongoing welfare benefits to Executive that would not be required to be delayed if the premiums therefore were paid by Executive, Executive shall pay the full costs of premiums for such welfare benefits during the Delay Period and the Company shall pay Executive an amount equal to the amount of such premiums paid by Executive during the Delay Period within ten (10) days after the conclusion of such Delay Period.

(b) Except as otherwise expressly provided herein, to the extent any expense reimbursement or other in-kind benefit is determined to be subject to Code Section 409A, the amount of any such expenses eligible for reimbursement or in-kind benefits in one calendar year shall not affect the expenses eligible for reimbursement or in-kind benefits in any other taxable year (except under any lifetime limit applicable to expenses for medical care), in no event shall any expenses be reimbursed or in-kind benefits be provided after the last day of the calendar year following the calendar year in which Executive incurred such expenses or received such benefits, and in no event shall any right to reimbursement or in-kind benefits be subject to liquidation or exchange for another benefit.

(c) Any payments made pursuant to Section 5, to the extent of payments made from the date of termination through March 15th of the calendar year following such date, are intended to constitute separate payments for purposes of Treas. Reg. §1.409A-2(b)(2) and thus payable pursuant to the “short-term deferral” rule set forth in Treas. Reg. §1.409A-1(b)(4); to the extent such payments are made following said March 15th, they are intended to constitute separate payments for purposes of Treas. Reg. §1.409A-2(b)(2) made upon an involuntary termination from service and payable pursuant to Treas. Reg. §1.409A-1(b)(9)(iii), to the maximum extent permitted by said provision.



(d) To the extent it is determined that any benefits described in Section 5(a)(ii) are taxable to Executive, they are intended to be payable pursuant to Treas. Reg. §1.409A-1(b)(9)(v), to the maximum extent permitted by said provision.

**IN WITNESS WHEREOF**, the parties have executed this Agreement as of the Effective Date.

ATTEST:  
\_\_\_\_\_  
Secretary

NODAK MUTUAL INSURANCE COMPANY  
By: \_\_\_\_\_

ATTEST:  
\_\_\_\_\_  
Secretary

NI HOLDINGS, INC.  
By: \_\_\_\_\_

WITNESS:  
\_\_\_\_\_

BRIAN R. DOOM  
\_\_\_\_\_

**EMPLOYMENT AGREEMENT**

**THIS AGREEMENT** (“Agreement”) is made as of this 28th day of April, 2016 (the “Effective Date”), between NI Holdings, Inc., a North Dakota business corporation, (the “Corporation”), NODAK Mutual Insurance Company, a North Dakota mutual insurance company (the “Company”), and Patrick W. Duncan, an adult individual (“Executive”).

**WITNESSETH:**

**WHEREAS**, the Corporation, the Company, and Executive desire to enter into an agreement providing for the terms of Executive’s employment with the Corporation and the Company.

**AGREEMENT**

**NOW, THEREFORE**, the parties hereto, intending to be legally bound, agree as follows:

1. **Employment.** The Corporation and the Company employ Executive and Executive hereby accepts employment with the Corporation and the Company, on the terms and conditions set forth in this Agreement.

2. **Duties of Employee.** Executive shall serve as Vice President of the Corporation and the Company and shall report directly to the Chief Executive Officer of the Corporation and the Company. Executive shall devote his full time, attention and energies to the business of the Corporation and the Company during the Employment Period (as defined in Section 3 of this Agreement); provided, however, that this Section 2 shall not be construed as preventing Executive from (a) engaging in activities incident or necessary to personal investments, (b) acting as a member of the board of directors of any non-profit association or corporation, or (c) being involved in any other business activity with the prior approval of the Board of Directors of the Corporation (the “Corporation Board”). Executive shall not engage in any business or commercial activities, duties or pursuits which compete with the business or commercial activities of the Corporation or the Company, nor may Executive serve as a director or officer or in any other capacity in a company which competes with the Corporation or the Company.

3. **Term of Agreement.**

(a) **Employment Period.** This Agreement shall be for a period (the “Employment Period”) beginning on the Effective Date, and if not previously terminated pursuant to the terms of this Agreement, continuing until the second anniversary hereof; provided, however, that on a daily basis, one additional day shall be added to the term of this Agreement, so that the Employment Period shall always be two (2) years, unless either the Executive or the Corporation shall have provided the other with written notice of its intention to cease extending the term of this Agreement.

(b) Notwithstanding anything herein contained to the contrary, nothing in this Agreement shall mandate or prohibit a continuation of Executive's employment following the expiration of the term of this Agreement upon such terms as the Corporation Board and Executive may mutually agree.

(c) Termination for Cause. Notwithstanding the provisions of Section 3(a) of this Agreement, this Agreement may be terminated by the Corporation and the Company for Cause (as defined herein). As used in this Agreement, "Cause" shall mean any of the following:

(i) Executive willfully fails or refuses to substantially perform the Executive's responsibilities under this Agreement, after demand for substantial performance has been given by the Corporation Board that specifically identifies how the Executive has failed to perform such responsibilities;

(ii) Executive engages in gross misconduct which is materially and demonstrably injurious to the Corporation or the Company;

(iii) Executive is convicted of a felony or pleads guilty or *nolo contendere* to a felony;

(iv) Executive materially breaches Section 6 of this Agreement;

(v) Executive engages in any act of fraud (including misappropriation of the Corporation's or the Company's funds or property) in connection with the business of the Corporation or the Company which is materially and demonstrably injurious to the Corporation or the Company; or

(vi) Executive is disqualified or barred by any governmental or self-regulatory authority from serving in the capacity contemplated by this Agreement.

If this Agreement is terminated for Cause, all of Executive's rights under this Agreement shall cease as of the effective date of such termination, except that:

(i) the Company shall pay to Executive the unpaid portion, if any, of his Annual Base Salary through the date of termination; and

(ii) the Company shall provide to Executive such post-employment benefits, if any, as may be provided for under the terms of the employee benefit plans of the Company then in effect.

(d) Death. Notwithstanding the provisions of Section 3(a) of this Agreement, this Agreement shall terminate automatically upon Executive's death and Executive's rights under this Agreement shall cease as of the date of such termination, except that (i) the Company shall pay to Executive's spouse, personal representative, or estate the unpaid portion, if any, of his Annual Base Salary through date of death and (ii) the Company shall provide to Executive's dependents any benefits due under the Company's employee benefit plans.

(e) Disability. Executive, the Corporation and the Company agree that if Executive becomes Disabled, within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and the regulations thereunder, and becomes eligible for employer-provided short-term and/or long-term disability benefits, or worker’s compensation benefits, then the Company’s obligation to pay Executive his Annual Base Salary shall be reduced by the amount of the disability or worker’s compensation benefits received by Executive.

Executive, the Corporation and the Company agree that if, in the judgment of the Corporation Board, Executive is unable, as a result of illness or injury, to perform the essential functions of his position on a full-time basis with or without a reasonable accommodation and without posing a direct threat to himself or others for a period of six months, the Company will suffer an undue hardship in continuing Executive’s employment as set forth in this Agreement. Accordingly, this Agreement shall terminate at the end of the six-month period, and all of Executive’s rights under this Agreement shall cease, with the exception of any unpaid Annual Base Salary through the date of termination and those rights which Executive may have under the Company’s employee benefit plans.

#### **4. Employment Period Compensation, Benefits and Expenses.**

(a) Annual Base Salary. For services performed by Executive under this Agreement, the Company shall pay Executive an annual base salary during the Employment Period at the rate of \$230,000 per year, minus applicable withholdings and deductions, payable at the same times as salaries are payable to other executive employees of the Company (the “Annual Base Salary”). The Annual Base Salary shall be reviewed annually by the Board of Directors of the Company (the “Company Board”) and the Company Board may, from time to time, increase Executive’s Annual Base Salary, and any and all such increases shall be deemed to constitute amendments to this Section 4(a) to reflect the increased amounts, effective as of the date established for such increases.

(b) Bonus. The Executive shall participate in any equity incentive plan and short-term performance plan generally made available to executive officers of the Company.

(c) Vacations, Holidays, etc. During the term of this Agreement, Executive shall be entitled to paid annual vacation in accordance with the policies as established from time to time by the Company. Executive shall also be entitled to all paid holidays, sick days and personal days provided by the Company to its regular full-time employees and senior executive officers.

(d) Employee Benefit Plans. During the term of this Agreement, Executive shall be entitled to participate in or receive the benefits of any employee benefit plan currently in effect at the Company, subject to the eligibility and terms of each such plan, until such time that the Company authorizes a change in such benefits.

(e) Business Expenses. During the term of this Agreement, Executive shall be entitled to receive prompt reimbursement for all customary and usual expenses incurred by him, which are properly accounted for, in accordance with the policies and procedures established by the Company.

## **5. Rights in Event of Termination of Employment.**

(a) If Executive's employment is involuntarily terminated by the Corporation and the Company without Cause (other than for death or Disability), or the Executive voluntarily terminates employment for Good Reason (as defined below), Executive shall be entitled to receive the compensation and benefits set forth below:

(i) Executive shall be entitled to receive an annual amount equal to (A) his Annual Base Salary plus (B) the average annual bonus for the preceding three (3) calendar years. Such annual amount shall be multiplied by the number of full calendar months remaining in the Employment Period divided by twelve (12). The resulting amount shall be paid by the Company in one lump sum within ten (10) calendar days of such termination.

(ii) Also, in such event, Executive shall, for the remaining Employment Period, continue to participate in any benefit plans of the Company that provide health (including medical and dental) coverage, upon terms no less favorable than the most favorable terms provided to senior executives of the Company during such period. In the event that the Company is unable to provide such coverage by reason of Executive no longer being an employee, the Company shall provide Executive an amount equal to the total after-tax cost to Employee, for each month that is then remaining in the Employment Period, of obtaining such coverage.

(b) "Good Reason" shall mean (i) a material diminution in salary, (ii) a material diminution in authority, duties or responsibilities, (iii) a change in Executive's title, or (iv) a reassignment which assigns full-time employment duties to Executive at a location more than twenty (20) miles from the Company's principal executive office on the date of this Agreement, in all cases after notice from Executive to the Company within ninety (90) days after the initial existence of any such condition that the condition constitutes Good Reason and the failure of the Company to cure such situation within thirty (30) days after said notice.

(c) Executive shall not be required to mitigate the amount of any payment provided for in this Section 5 by seeking other employment or otherwise, nor shall the amount of payment or the benefit provided for in this Section 5 be reduced by any compensation earned by Executive as the result of employment by another employer or by reason of Executive's receipt of or right to receive any retirement or other benefits after the date of termination of employment or otherwise.

6. **Unauthorized Disclosure.** During the term of his employment hereunder, or at any later time, Executive shall not, without the written consent of the Company Board or a person authorized thereby (except as may be required pursuant to a subpoena or other legal process), knowingly disclose to any person, other than an employee of the Company or a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by Executive of his duties as an executive of the Company, any material confidential information obtained by him while in the employ of the Company with respect to any of the Company's or any of its subsidiaries' services, products, improvements, formulas, designs or styles, processes, customers, methods of business or any business practices the disclosure of which could be or will be damaging to the Company; provided, however, that confidential information shall not include any information known generally to the public (other than as a result of unauthorized disclosure by Executive or any person with the assistance, consent or direction of Executive) or any information of a type not otherwise considered confidential by persons engaged in the same business or a business similar to that conducted by the Company or any information that must be disclosed as required by law.

7. **Requirement of Release.** Notwithstanding anything herein to the contrary, Executive's entitlement to any payments under Section 5 shall be contingent upon Executive's prior agreement with and signature to a complete release agreement in the form as mutually agreed by the parties. Such release agreement shall be executed, if at all, and the applicable payments and benefits contingent upon the execution of such agreement shall be provided or commence being provided, if at all, within sixty (60) days following the date of termination; provided, however, that if such sixty (60) day period begins in one taxable year and ends in a second taxable year, the payments and benefits will be provided or commence being provided, if at all, in the second taxable year.

8. **Notices.** Except as otherwise provided in this Agreement, any notice required or permitted to be given under this Agreement shall be deemed properly given if in writing and if mailed by United States registered or certified mail, postage prepaid with return receipt requested, to Executive's address, in the case of notices to Executive, and to the principal executive office of the Company, in the case of notice to the Company.

9. **Waiver.** No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Executive and an executive officer of the Corporation and the Company specifically designated by the respective Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

10. **Assignment.** This Agreement shall not be assignable by any party, except by the Company to any successor in interest to its business.

11. **Entire Agreement.** This Agreement contains the entire agreement of the parties relating to the subject matter of this Agreement and supersedes and replaces any prior written or oral agreements between them respecting the within subject matter.

12. **Successors; Binding Agreement.**

(a) The Corporation and the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Corporation or the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation and Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Corporation" and "Company" shall mean the Corporation and the Company as defined previously and any successor to their respective business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

(b) This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, heirs, distributees, devisees or legatees. If Executive should die following termination of Executive's employment without Cause, and any amounts would be payable to Executive under this Agreement if Executive had continued to live, all such amounts shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee, or other designee, or, if there is no such designee, to Executive's estate.

13. **Legal Expenses.** The Company shall reimburse Executive for all reasonable legal fees and expenses he may incur in seeking to obtain or enforce any right or benefit provided by this Agreement, but only with respect to such claim or claims upon which Executive prevails. Such payments shall be made within fourteen (14) days after delivery of Executive's written request for payment accompanied with such evidence of fees and expenses incurred as the Company may reasonably require.

14. **Validity.** The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

15. **Applicable Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of North Dakota, without regard to its conflict of laws principles.

16. **Headings.** The section headings of this Agreement are for convenience only and shall not control or affect the meaning or construction or limit the scope or intent of any of the provisions of this Agreement.

17. **Limitations on Payments.**

(a) Notwithstanding anything in this Agreement to the contrary, in the event the payments and benefits payable hereunder to or on behalf of Executive, when added to all other amounts and benefits payable to or on behalf of Executive, would result in the imposition of an excise tax under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), the amounts and benefits payable hereunder shall be reduced to such extent as may be necessary to avoid such imposition. All calculations required to be made under this subsection will be made by the Company's independent public accountants, subject to the right of Executive's representative to review the same. The parties recognize that the actual implementation of the provisions of this subsection are complex and agree to deal with each other in good faith to resolve any questions or disagreements arising hereunder.

(b) All payments made to the Executive pursuant to this Agreement or otherwise, are subject to and conditioned upon their compliance with applicable laws and any regulations promulgated thereunder.

18. **Recovery of Bonuses and Incentive Compensation.** Notwithstanding anything in this Agreement to the contrary, all bonuses and incentive compensation, but not Annual Base Salary or payments due Executive under Section 5, paid hereunder (whether in equity or in cash) shall be subject to recovery by the Company in the event that such bonuses or incentive compensation are based on materially inaccurate financial statements or other materially inaccurate performance metric criteria; provided that a determination as to the recovery of a bonus or incentive compensation shall be made within twenty-four (24) months following the date such bonus or incentive compensation was paid. In the event that the Company Board determines that a bonus or incentive compensation payment to Executive is recoverable, Executive shall reimburse all or a portion of such bonus or incentive compensation, to the fullest extent permitted by law, as soon as practicable following written notice to Executive by the Company of the same.

19. **Application of Code Section 409A.**

(a) Notwithstanding anything in this Agreement to the contrary, the receipt of any benefits under this Agreement as a result of a termination of employment shall be subject to satisfaction of the condition precedent that Executive undergo a “separation from service” within the meaning of Treas. Reg. § 1.409A-1(h) or any successor thereto. In addition, if Executive is deemed to be a “specified employee” within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provisions of any benefit that is required to be delayed pursuant to Code Section 409A(a)(2)(B), such payment or benefit shall not be made or provided prior to the earlier of (i) the expiration of the six (6) month period measured from the date of Executive’s “separation from service” (as such term is defined in Treas. Reg. § 1.409A-1(h)), or (ii) the date of Executive’s death (the “Delay Period”). Within ten (10) days following the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to Executive in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. Notwithstanding the foregoing, to the extent that the foregoing applies to the provision of any ongoing welfare benefits to Executive that would not be required to be delayed if the premiums therefore were paid by Executive, Executive shall pay the full costs of premiums for such welfare benefits during the Delay Period and the Company shall pay Executive an amount equal to the amount of such premiums paid by Executive during the Delay Period within ten (10) days after the conclusion of such Delay Period.

(b) Except as otherwise expressly provided herein, to the extent any expense reimbursement or other in-kind benefit is determined to be subject to Code Section 409A, the amount of any such expenses eligible for reimbursement or in-kind benefits in one calendar year shall not affect the expenses eligible for reimbursement or in-kind benefits in any other taxable year (except under any lifetime limit applicable to expenses for medical care), in no event shall any expenses be reimbursed or in-kind benefits be provided after the last day of the calendar year following the calendar year in which Executive incurred such expenses or received such benefits, and in no event shall any right to reimbursement or in-kind benefits be subject to liquidation or exchange for another benefit.

(c) Any payments made pursuant to Section 5, to the extent of payments made from the date of termination through March 15th of the calendar year following such date, are intended to constitute separate payments for purposes of Treas. Reg. §1.409A-2(b)(2) and thus payable pursuant to the “short-term deferral” rule set forth in Treas. Reg. §1.409A-1(b)(4); to the extent such payments are made following said March 15th, they are intended to constitute separate payments for purposes of Treas. Reg. §1.409A-2(b)(2) made upon an involuntary termination from service and payable pursuant to Treas. Reg. §1.409A-1(b)(9)(iii), to the maximum extent permitted by said provision.



(d) To the extent it is determined that any benefits described in Section 5(a)(ii) are taxable to Executive, they are intended to be payable pursuant to Treas. Reg. §1.409A-1(b)(9)(v), to the maximum extent permitted by said provision.

**IN WITNESS WHEREOF**, the parties have executed this Agreement as of the Effective Date.

ATTEST:  
  
\_\_\_\_\_  
Secretary

NODAK MUTUAL INSURANCE COMPANY  
By: \_\_\_\_\_

ATTEST:  
  
\_\_\_\_\_  
Secretary

NI HOLDINGS, INC.  
By: \_\_\_\_\_

WITNESS:  
  
\_\_\_\_\_

PATRICK W. DUNCAN  
\_\_\_\_\_

## TRADEMARK LICENSE AGREEMENT

This Agreement (“Agreement”) is entered into as of this 1st day of October, 2015, (the “Effective Date”) by and between North Dakota Farm Bureau, a non-profit corporation having its principal place of business in Fargo, North Dakota (“Farm Bureau”) and Nodak Mutual Group, an insurance company having its principal place of business in Fargo, North Dakota (“Nodak Mutual”).

Recitals

WHEREAS, approximately sixty-nine (69) years ago Farm Bureau created Nodak Mutual to provide affordable property and casualty insurance to its members;

WHEREAS, Farm Bureau has been an active non-profit organization in the State of North Dakota providing support and other services to rural North Dakota;

WHEREAS, Farm Bureau has the exclusive right to the use and benefit of the name “Farm Bureau” and the logo “FB” within the State of North Dakota;

WHEREAS, Nodak Mutual wishes to derive benefit from the association and use of the name “Farm Bureau” and related logo “FB”;

WHEREAS, Farm Bureau desires to grant to Nodak Mutual and Nodak Mutual desires to obtain a nonexclusive right to market its insurance products using the name “North Dakota Farm Bureau” and any trademarks associated with this name, all on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. LICENSE

a. License Grant. Subject to the terms and conditions of this Agreement, Farm Bureau hereby grants to Nodak Mutual a nonexclusive, nontransferable license to use, copy and incorporate the name “Farm Bureau” and logo “FB” and any trademarks associated with these marks to market Nodak Mutual products, including insurance products.

b. Ownership. Nodak Mutual acknowledges that Farm Bureau retains, and shall retain, all right, title and interest in and to the name “Farm Bureau” and related logo “FB,” subject to the usage by Nodak Mutual pursuant to this Agreement.

2. OBLIGATIONS OF NODAK MUTUAL

a. Name and Trademark. Nodak Mutual agrees to use the Farm Bureau name and associated trademarks in a manner consistent with the marketing of insurance products and shall display the Farm Bureau name and related trademarks in a professional manner.

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### 3. ROYALTY PAYMENT

a. Payment. Nodak Mutual shall pay to Farm Bureau an annual royalty of 1.3% of written premium, with the exception of MPCCI premiums, subject to a maximum royalty payment of \$1,269,728 and a minimum payment of \$900,000. These figures are adjusted annually based upon the June index month for the Consumer Price Index (CPI) ([www.bls.gov/cpi](http://www.bls.gov/cpi)). Information will be taken from Table A: Percent Changes in CPI for All Urban Consumers Unadjusted 12 months ended June (for the 12-month period ended June 2015 CPI was 0.1%).

### 4. TERMS AND TERMINATION

a. Term. This Agreement shall become effective as of the Effective Date and shall continue in force for a period of one (1) year, unless either party provides notice of non-renewal at least ninety (90) days prior to the renewal date.

b. Termination. Notwithstanding the provisions of Section 4.a. above, this Agreement may be terminated by either party upon written notice to the other party:

i. If the other party files a petition of any type as to its bankruptcy, is declared bankrupt, becomes insolvent, makes an assignment for the benefit of creditors, goes into liquidation or receivership, or otherwise loses legal control of its business involuntarily.

ii. If the other party is in material breach of this Agreement and such breach is not curable or has not been cured within thirty (30) days of receipt of written notice thereof from the first party.

### 5. ADMINISTRATION AND CONSTRUCTION

This Agreement shall be administered and construed in accordance with the following provisions:

a. Non-Waiver of Breach. The waiver by any party of a breach of any provision in this Agreement shall not operate or be construed as a waiver of any subsequent breach.

b. Severability. The invalidity or unenforceability of any particular provision of this Agreement shall not affect its other provisions. The Agreement shall be construed in all respects as if such invalid or unenforceable provision was omitted.

c. Whole Agreement. This Agreement constitutes the complete and entire understanding of the parties concerning the subject matter of this Agreement and supersedes all prior written and oral negotiations, understandings and agreements with respect thereto.

d. Modifications. No changes or modifications of this Agreement shall be valid unless the same be in writing and signed by all parties to this Agreement.

e. Persons Bound by this Agreement. This Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the parties.

f. Governing Law. The provisions of this Agreement shall be governed by the laws of the State of North Dakota. Any arbitration, court proceedings or litigation arising out of or pertaining to this Agreement shall be venued in state district court, Cass County, North Dakota.

IN WITNESS WHEREOF, Farm Bureau and Nodak Mutual have executed this Agreement.

NORTH DAKOTA FARM BUREAU COMPANY

By \_\_\_\_\_  
Its President

NODAK MUTUAL INSURANCE COMPANY

By /s/Eric Aasmunstad  
Its President

By /s/Michael J. Alexander  
Its Executive Vice President and CEO

**MULTIPLE PERIL CROP/LIVESTOCK INSURANCE  
FULL SERVICE AGENCY AGREEMENT**

between

**AMERICAN FARM BUREAU INSURANCE SERVICES, INC.**

and

**NODAK MUTUAL INSURANCE COMPANY and  
AMERICAN WEST INSURANCE COMPANY and  
BATTLE CREEK MUTUAL INSURANCE COMPANY**

**REINSURANCE YEAR 2016**

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THIS AGREEMENT (hereinafter referred to as "this AGREEMENT") is made and entered into by and between **NODAK MUTUAL INSURANCE COMPANY, AMERICAN WEST INSURANCE COMPANY, and BATTLE CREEK MUTUAL INSURANCE COMPANY**, 1101 First Avenue North, Fargo, ND 58102 (COMPANY), and **AMERICAN FARM BUREAU INSURANCE SERVICES, INC.**, 1501 E. Woodfield Road, Suite 300W, Schaumburg, Illinois 60173-5422 (hereinafter referred to as "AFBIS").

#### **PREAMBLE**

WHEREAS, this AGREEMENT is for the processing and servicing of certain crop insurance policies issued by **FARM BUREAU MUTUAL INSURANCE COMPANY OF IDAHO** and/or **WESTERN COMMUNITY INSURANCE COMPANY**, as more fully described in Article III – Business Covered (hereinafter referred to as "POLICY" or "POLICIES"); and

WHEREAS, COMPANY has appointed AFBIS as its Managing General Agent;

THEREFORE, in consideration of the mutual terms and covenants as hereinafter expressly set forth, the COMPANY and AFBIS agree as follows:

#### **ARTICLE I - EFFECTIVE DATE AND TERM**

1. This AGREEMENT shall apply to all of the POLICIES described in Article III that become effective between July 1, 2015 and June 30, 2016. This AGREEMENT shall continue in full force and effect, until terminated pursuant to Article XI - Termination.

2. This AGREEMENT supersedes any previous agreements between the parties regarding the same subject matter of this AGREEMENT.

#### **ARTICLE II - PERFORMANCE/APPOINTMENT**

1. The performance of obligations by both parties under this AGREEMENT shall be in accordance with the standard of good faith and fair dealing.

2. AFBIS agrees to indemnify and hold harmless AAIC, COMPANY, and their officers, directors, agents and employees from and against any and all claims, demands, obligations, causes of action and lawsuits and all damages, liabilities, fines, judgments, costs (including settlement costs) and expenses associated therewith, including the payment of reasonable attorney fees and disbursements (other than expenses addressed in Article XIV) arising out of: the failure of AFBIS, its employees, agents or independent contractors to comply with the terms and conditions of this AGREEMENT. The obligations to indemnify contained in this paragraph will survive the expiration or termination of this AGREEMENT.

3. COMPANY agrees to indemnify and hold harmless AAIC, AFBIS, and their officers, directors, agents and employees from and against any and all claims, demands, obligations, causes of action and lawsuits and all damages, liabilities, fines, judgments, costs (including settlement costs), and expenses associated therewith, including the payment of reasonable attorney fees and disbursements (other than expenses addressed in Article XIV), arising out of the failure of COMPANY, its employees, agents or independent contractors to comply with the terms and conditions of this AGREEMENT. The obligations to indemnify contained in this paragraph will survive the expiration or termination of this AGREEMENT.

4. COMPANY agrees that AFBIS shall have the right and authority to service and administer all POLICIES and POLICY information arising from the Business Covered by this AGREEMENT.

### **ARTICLE III - BUSINESS COVERED**

1. This AGREEMENT applies to any plan or POLICY that may be approved by Federal Crop Insurance Corporation (FCIC) for sale by COMPANY and reinsured by FCIC.

2. The POLICIES described in this Article must be sold by COMPANY's agents. This AGREEMENT applies to such policies that become effective within the term set forth in Article I.

### **ARTICLE IV - AFBIS OBLIGATIONS**

AFBIS agrees to perform the following services for POLICIES sold by COMPANY's agents in the states identified on Exhibit A "List of Participating States":

1. Underwrite, issue and deliver to insureds and agents an electronic or mailed copy of each POLICY and any corresponding documents.

2. Provide all necessary POLICY filing data in a form acceptable to COMPANY for filing with appropriate regulatory agencies.

3. Print, assemble and provide electronic copy or mail or generate electronically all necessary documents to COMPANY's insureds, agents and processing office, as requested by COMPANY.

4. Bill each Policyholder on behalf of COMPANY for premium, interest, miscellaneous charges and/or fees (hereinafter referred to collectively as "PREMIUM"), due for each POLICY. Such billing dates and procedures will be provided to COMPANY by AFBIS in accordance with POLICY conditions and FCIC underwriting guidelines.

5. Instruct insureds in all billing statements to make checks payable to and send payments to AFBIS.

6. Generate electronic copy or print Initial Claims Worksheet, Production Worksheets, other claim adjustment forms and information and forward same to the Claims Representative or Adjuster assigned by AFBIS.

7. Make available various reports (including downloads), upon request or as directed in writing by COMPANY, for COMPANY's reporting of commissions, financial information, issued checks and reports, and other data deemed relevant by COMPANY. COMPANY will determine the frequency and type of reports needed.

8. Maintain separate records of business services provided to COMPANY by AFBIS pursuant to this AGREEMENT. COMPANY shall have access to and the right to copy all accounts and records related to its business in a form usable by COMPANY.

9. Accept financial responsibility for any reduction of administrative expense reimbursement caused by delay in policy issuance as a result of actions of AFBIS.

10. Provide an agent premium quoting system for point-of-sale activities on the Internet.

11. Maintain a disaster recovery plan for computer systems. AFBIS will provide a written description of such computer system recovery plan to COMPANY upon request.

12. Comply with all requirements of the FCIC with respect to the administration of the Business Covered by this AGREEMENT.

#### **ARTICLE V - COMPANY OBLIGATIONS**

1. For POLICIES sold in the states identified in Exhibit A (List of Participating States), COMPANY agrees to:

A. Assist AFBIS in collecting all delinquent PREMIUMS. A PREMIUM shall be considered delinquent thirty (30) days after the payment due date.

B. Instruct insureds to make PREMIUM checks payable to AFBIS.

C. Attempt to obtain premium security agreements as may be required by AFBIS to assist AFBIS in collection of such premium.

D. Require agents to maintain errors and omission coverage which covers POLICIES sold by COMPANY' s agents.

E. Compensate agents for the sale of POLICIES.

F. Comply with all laws and regulations pertaining to the marketing and sales of the POLICIES.

2. COMPANY understands, acknowledges and agrees that all proprietary rights, title and interest to the forms and documentation that AFBIS provides under this AGREEMENT vest in AFBIS. COMPANY may not use, copy or distribute same without AFBIS's prior written permission.

3. In addition, COMPANY understands, acknowledges and agrees that the services provided by AFBIS under this AGREEMENT shall be for the sole use of COMPANY and any of their wholly owned and controlled subsidiaries. COMPANY is prohibited from using or permitting the use of AFBIS' services and systems by any other persons or entities.

4. COMPANY agrees to assume all responsibility for Administrative and Operating (A&O) expense reductions due to acceptance of late filed or misreported information from their agents. Late filed paperwork is defined as any paperwork not filed by the Crop Sales Closing Date or Acreage Reporting Date or any other reporting date as specified by the FCIC in the actuarial documents published by FCIC.



5. The COMPANY agrees to comply with the Standard Reinsurance Agreement and appendices between the Federal Crop Insurance Corporation and AAIC. AFBIS will provide copies of said agreement and its appendices to COMPANY upon request. The Standard Reinsurance Agreement and its appendices are also set forth fully at [www.rma.usda.gov/pubs/ra/](http://www.rma.usda.gov/pubs/ra/).

#### **ARTICLE VI - AFBIS LIMITATIONS**

With respect to the states identified in Exhibit A, AFBIS shall not:

1. Sell or attempt to sell through COMPANY's agents, or in any manner contact such agents regarding any insurance policy not issued by COMPANY except as provided herein or as expressly agreed to in writing.
2. Bind reinsurance or retrocessions on behalf of COMPANY.
3. Commit COMPANY to participate in insurance or reinsurance syndicates.
4. Appoint any producer without assuring that the producer is lawfully licensed to transact the type of insurance for which it is appointed.
5. Collect any payment from a reinsurer or commit COMPANY to any claim settlement with reinsurer, without prior approval of COMPANY. Following such collection, a report will be promptly forwarded to COMPANY.

#### **ARTICLE VII - SERVICE FEES**

With regard to the states identified in Exhibit A, COMPANY agrees to pay AFBIS a service fee according to the schedule set forth in Exhibit B (Service Fee Schedule). Service fees are subject to change by written agreement of the parties. The parties expressly agree that AFBIS shall be entitled to a service fee adjustment if it incurs costs as a result of an FCIC mandatory change.

#### **ARTICLE VIII - WARRANTIES**

With respect to the performance of its obligations under this AGREEMENT, COMPANY warrants that

1. COMPANY is a duly authorized and licensed insurance agency in each state listed in Exhibit A.
2. COMPANY agents are duly authorized and licensed to place insurance in each state listed in Exhibit A.

**ARTICLE IX - TAXES**

COMPANY agrees to pay any premium taxes arising from POLICIES that are subject to this AGREEMENT, and will reimburse AFBIS for any such taxes that AFBIS pays.

**ARTICLE X - CURRENCY**

Wherever the word “dollars” or the “\$” symbol is used in this AGREEMENT, it shall mean dollars of the United States of America.

**ARTICLE XI - TERMINATION**

1. Either party may terminate this AGREEMENT effective at the end of any FCIC Multiple Peril Crop Insurance or Livestock Reinsurance Year by giving the other party prior written notice to the address of the party listed above. Such notice, if by AFBIS, shall be delivered by certified mail at least one hundred eighty (180) days prior to the effective date of such termination. Such notice, if by COMPANY, shall be delivered by certified mail at least one hundred eighty (180) days prior to the end of any such FCIC Multiple Peril Crop Insurance Crop/Reinsurance year.

2. COMPANY may terminate this AGREEMENT for cause, at any time upon written notice to AFBIS.

3. In the event of an anticipated change in the Farm Bureau affiliation or management of the business of COMPANY due to merger, sale or other change in controlling interest, COMPANY shall immediately notify AFBIS in writing of the expected effective date. Within thirty (30) days after receipt of such notice, AFBIS may give notice of its intention to terminate this AGREEMENT in its entirety effective on the effective date of the change of affiliation or management by sending written notice to COMPANY. If COMPANY fails to give notice of such anticipated change, AFBIS may nonetheless terminate in like manner within thirty (30) days after acquiring knowledge of same, so long as the effective date of such termination is not prior to the effective date of such anticipated change of affiliation or management.

4. This AGREEMENT shall terminate automatically and simultaneously upon the happening of any of the following events:

A. Entry of an order of liquidation, rehabilitation, receivership or conservatorship with respect to COMPANY or AFBIS by any court or regulatory authority.

B. The unauthorized assignment of this AGREEMENT by either party.

5. Upon termination of this AGREEMENT, AFBIS shall transfer to COMPANY all POLICY and financial information in AFBIS' possession unless otherwise agreed in writing. The information will include both electronic and paper documentation as required by COMPANY.

## **ARTICLE XII - ARBITRATION**

1. As a condition precedent to any right of action hereunder, any dispute arising out of this AGREEMENT shall be submitted to the decision of a board of arbitration composed of two arbitrators and one umpire, meeting in Schaumburg, Illinois, unless otherwise agreed.

2. The members of the board of arbitration shall be active or retired disinterested officers of insurance companies. Each party shall appoint its own arbitrator and the two arbitrators shall choose the umpire before instituting the hearing. If the respondent fails to appoint its arbitrator within four (4) weeks after being requested to do so by the claimant, the latter shall also appoint the second arbitrator. If the two arbitrators fail to agree upon the appointment of the umpire within four (4) weeks after their nominations, each of them shall name three (3), of whom the other shall decline two (2) and the decision shall be made by drawing lots. It is the intent of the parties to this AGREEMENT where the arbitrators have failed to agree, that the selection of umpire be confined to this determination by chance.

3. The claimant shall submit its initial brief within twenty (20) days after appointment of the umpire. The respondent shall submit its brief within twenty (20) days after receipt of the claimant's brief and the claimant may submit a reply brief within ten (10) days after receipt of the respondent's brief.

4. The board shall make its decision with regard to the custom and usage of the insurance business. The board shall issue its decision in writing based upon a hearing in which evidence may be introduced without following strict rules of evidence, but in which cross examination and rebuttal shall be allowed. The board shall make its decision within sixty (60) days following the termination of the hearings unless the parties consent to an extension. The majority decision of the board shall be final and binding upon all parties to the proceeding. Judgment may be entered upon the award of the board in any court having jurisdiction thereof.

5. Each party shall bear the expense of its own arbitrator and shall jointly and equally bear with the other party the expense of the umpire. The remaining costs of the arbitration proceeding shall be allocated by the board.

## **ARTICLE XIII - ANTI-LOBBYING**

The Company shall comply with all provisions and requirements of the federal regulations set forth in 7 C.F.R. part 3018, "New Restrictions on Lobbying," certify its compliance with such regulations, and provide any required disclosure forms. The compliance certification and disclosures are material representations of fact which FCIC relies on when the Company enters into this AGREEMENT. Submission of the required certification and any disclosure forms is a prerequisite for entering into this AGREEMENT as required by 31 U.S.C. § 1352. Any person who fails to file or amend the disclosure form, as required by 7 C.F.R. part 3018, shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000, for each such failure.

#### ARTICLE XIV - ALLOCATION OF LEGAL DEFENSE EXPENSES

1. Except for any provisions which are contrary to Article II, subparagraphs (2) and (3), this Article XIV governs the allocation and payment of legal defense expenses (including litigation related expenses) incurred in the resolution of a claim filed by an insured against COMPANY which in any way arises out of the processing or servicing of crop insurance policies sold by COMPANY' s agents (hereinafter referred to as "a claim"). The provisions of this Article XIV only apply in the event COMPANY notifies AFBIS within fifteen (15) business days of receiving notice of a claim.

2. AFBIS shall pay all legal defense expenses as they are incurred, and Company and AFBIS shall allocate the expenses pursuant to this Article XIV when a claim is closed, including the conclusion of all litigation related to a claim. Company shall remit payment of the agreed allocation within 30 days thereafter, unless the arbitration provisions of Article XII have been invoked by either party.

3. In the event a claim is litigated in a court of law, arbitration, or other judicial or quasi judicial proceeding (hereinafter collectively referred to as "the legal proceeding") and all interested parties are named in the legal proceeding, all legal defense expenses incurred by COMPANY shall be allocated between the COMPANY and AFBIS in the same ratio that liability or negligence is allocated in the legal proceeding to the interested parties, their agents or employees.

4. In no such event shall COMPANY or AFBIS be liable for legal defense expenses in excess of its allocated proportion of liability or negligence as established by the legal proceeding.

5. In the event COMPANY or AFBIS is named in the legal proceeding but no allocation of liability or negligence is established in the legal proceeding, all such incurred legal defense expenses shall be shared equally between the parties hereto.

6. In the event a claim is not litigated or the legal proceeding does not include both parties hereto, the parties hereto, through their duly appointed representatives, shall participate in a meeting at a mutually agreeable time and place or by teleconference to determine a fair, reasonable and mutually acceptable allocation of the legal defense expenses based on available evidence of each of their relative degrees of liability, if any (i.e., from 0% to 100%) (hereinafter referred to as "Allocation Agreement"). The parties hereto shall use their best efforts to reach an Allocation Agreement.

7. In the event COMPANY proceeds independently to settlement of a claim without first consulting with the other party hereto as to the allocation of legal defense expenses, then all such legal defense expenses incurred shall be paid in full by COMPANY.

**ARTICLE XV - NON-DISCLOSURE OF CONFIDENTIAL  
AND PROTECTED INFORMATION**

1. Confidential information that pertains to customers of COMPANY and its affiliated companies that AFBIS obtains pursuant to this AGREEMENT will be held in strict confidence and used only as necessary to provide services under this AGREEMENT. Access to customer information will be limited to those persons who need such information to provide services under this AGREEMENT, pursuant to reasonable business practices adopted to limit access and unauthorized disclosure of same, and under the terms of this provision, or where otherwise required by law. Within thirty (30) days of the termination of this AGREEMENT, AFBIS shall return and/or destroy all confidential customer information in its possession, at COMPANY's request. The parties agree that any disclosure of information hereunder by AFBIS qualifies as one or more of the general exceptions of both notice and an opportunity for opt-out under the Gramm-Leach-Bliley Act (the "Act"). Furthermore, the parties agree that any information disclosed by AFBIS hereunder shall only be used by AFBIS for the sole purpose for which it was disclosed by AFBIS under this AGREEMENT.

2. Notwithstanding any provision in this AGREEMENT to the contrary, to the extent this AGREEMENT requires AFBIS to disclose any "non-public personal information" as defined under the Act, AFBIS represents, warrants and agrees that AFBIS and its agents and/or representatives shall not disclose or use this non-public information other than to carry out the purposes for which AFBIS disclosed the information.

3. COMPANY further agrees to comply and certify its compliance with the requirements set forth in Exhibit C (Non-Disclosure Certification) hereto.

**ARTICLE XVI - RETENTION AND ACCESS TO RECORDS**

Upon request, COMPANY shall provide FCIC and/or AFBIS reasonable access at any time during normal business hours to its offices, personnel and all records that pertain to the subject matter addressed herein, including access to its agents' offices. COMPANY shall retain its records pertaining to the business conducted under this AGREEMENT for three (3) years after the last day on which records may be submitted to the FCIC through automated systems or such longer period as AFBIS or the FCIC instruct COMPANY in writing prior to the expiration of the 3-year term.

**ARTICLE XVII - MISCELLANEOUS**

1. This AGREEMENT constitutes the final and entire AGREEMENT between the parties with respect to the subject matter addressed herein. This AGREEMENT shall not be contradicted or supplemented by any previous or contemporaneous agreement or statement of representation. This AGREEMENT may be amended only in writing signed by the parties hereto.

2. AFBIS shall maintain in force, throughout the term of this AGREEMENT, a Business Errors and Omissions Policy. At COMPANY's request, AFBIS will provide to COMPANY a copy of the most recent declaration page of AFBIS's Business Errors and Omissions Policy.

3. This AGREEMENT shall be interpreted according to the laws of the State of North Dakota, regardless of the choice of law/conflict of law provisions thereunder, except to the extent that the Federal Crop Insurance Act and other federal laws apply.

4. This AGREEMENT is solely between AFBIS and COMPANY and shall not be assigned to any third party without prior written mutual consent of the parties hereto, except COMPANY may assign this AGREEMENT to its affiliates without the written consent of AFBIS. None of the terms of this AGREEMENT shall be construed to inure directly or indirectly to the benefit of any third party or persons not a signatory hereto, nor convey upon such any such third party any right of action hereunder.

5. In the event any provision of this AGREEMENT is determined to be invalid by a court of competent jurisdiction, such determination shall in no way affect the validity of enforceability of any other provision herein.

6. This AGREEMENT may be executed in counterparts, each of which shall be deemed an original agreement, but all of which together shall constitute one and the same agreement.

7. Each of the parties hereto shall conduct the work to be performed hereunder as an independent contractor and not as an agent or employee of the other party. Subject to the terms and conditions of this AGREEMENT, each party shall choose the means to be employed and the manner of carrying out its obligations hereunder. Each party shall have the sole responsibility for the supervision and payment of its personnel and, except as agreed to in writing, for all other costs and expenses required to perform its obligations hereunder. This AGREEMENT does not create a partnership, joint venture, or fiduciary relationship.

8. No party to this AGREEMENT shall furnish copies of this AGREEMENT or disclose the provisions hereof to any person who is not a party to this AGREEMENT, except and to the extent as may be required in order to comply with any law or governmental order, court discovery order, regulation or ruling.

9. The waiver by either party or a breach or violation of any provision of this AGREEMENT shall not operate or be construed as a waiver of any subsequent breach of such provision.

10. The COMPANY, for itself and any persons whose rights are derivative of the Company (including, but not limited to, assigns, successors, and representatives), hereby covenants and agrees that it will not institute or file any judicial or administrative proceeding, or cause the instituting or filing (directly or indirectly) of any judicial or administrative proceeding, or assist any third party that has instituted or filed any judicial or administrative proceeding, against FCIC, RMA, the United States Department of Agriculture, or any officer, agent, or director thereof (collectively, "FCIC"), challenging the legality of the terms and conditions of section 111(a) of the Standard Reinsurance Agreement. Nothing in the forgoing precludes the Company from responding to a court order. This covenant and agreement may be pleaded by FCIC as a bar or release in the event any such judicial or administrative proceeding is instituted or filed. The COMPANY shall require its agents to acknowledge in writing that the agents agree to and are bound by the same covenant not to sue contained in this paragraph. Such acknowledgement will be administered by AFBIS through required documentation prior to processing business.

**IN WITNESS WHEREOF**, the parties hereto have caused this **MULTIPLE PERIL CROP/LIVESTOCK INSURANCE FULL SERVICE AGENCY AGREEMENT** to be executed in duplicate at the places and on the dates listed below, to become effective as provided in Article I - Effective Date and Term.

**AMERICAN FARM BUREAU INSURANCE SERVICES, INC.**

Accepted as to form and content by its  
duly authorized representative

/s/ Tim A. Green

Name: Tim A. Green

Title: Vice President & General Manager

Executed at Fargo, North Dakota, this 29th day of January, 2016.

**NODAK MUTUAL INSURANCE COMPANY AMERICAN WEST  
INSURANCE COMPANY BATTLE CREEK MUTUAL INSURANCE  
COMPANY**

Accepted as to form and content by its  
duly authorized representative

/s/ Brian R. Doom

Name: Brian R. Doom

Title: Secretary/Treasurer & CFO

Executed at Fargo, North Dakota, this 6th day of February, 2016.

**EXHIBIT A**

**LIST OF PARTICIPATING STATES**

**TO**

**A MULTIPLE PERIL CROP/LIVESTOCK INSURANCE AGENCY AGREEMENT**

**between**

**AMERICAN FARM BUREAU INSURANCE SERVICES, INC.**

**and**

**NODAK MUTUAL INSURANCE COMPANY and  
AMERICAN WEST INSURANCE COMPANY and  
BATTLE CREEK MUTUAL INSURANCE CO1VIPANY**

**REINSURANCE YEAR 2016**

**LIST OF PARTICIPATING STATES**

**MINNESOTA**

**NEBRASKA**

**NORTH DAKOTA**

**SOUTH DAKOTA**

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**EXHIBIT B**

**SERVICE FEE SCHEDULE**

**TO**

**MULTIPLE PERIL CROP/LIVESTOCK INSURANCE AGENCY AGREEMENT**

**between**

**AMERICAN FARM BUREAU INSURANCE SERVICES, INC.**

**and**

**NODAK MUTUAL INSURANCE COMPANY and  
AMERICAN WEST INSURANCE COMPANY and  
BATTLE CREEK MUTUAL INSURANCE COMPANY**

**REINSURANCE YEAR 2016**

1. For POLICIES issued in the states listed in Exhibit 1, COMPANY shall pay AFBIS service fees as follows.

A. For all Lines of Business described in Article III — as described in paragraph one:

a. Ten percent (10%) on the first \$1,000,000 of gross and imputed processed premium, by state.

b. Seven percent (7.0%) on all gross and imputed processed premium in excess of \$1,000,000, by state, capped at \$1,250,000.

c. Two and ten one hundredths percent (2.1%) on all gross and imputed processed premium in excess of \$1,000,000, by state, capped at \$500,000.

d. One and eighty-eight hundredths percent (1.88%) for Allocated LAE on all gross and imputed processed premium, by state, to be adjusted to actual at final settlement.

2. No service fee shall apply to interest charged for late payment of premium.

3. All service fees shall be paid as soon as possible, this is within forty-five (45) days following AFBIS' receipt of expense reimbursement funds from FCIC.

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**EXHIBIT C**

**NON-DISCLOSURE CERTIFICATION**

**TO**

**MULTIPLE PERIL CROP/LIVESTOCK INSURANCE AGENCY AGREEMENT**

**between**

**AMERICAN FARM BUREAU INSURANCE SERVICES, INC.**

**and**

**NODAK MUTUAL INSURANCE COMPANY and  
AMERICAN WEST INSURANCE COMPANY and  
BATTLE CREEK MUTUAL INSURANCE COMPANY**

**REINSURANCE YEAR 2016**

1. **“Protected Information”** means any Personally Identifiable Information about a policyholder, or information about the policyholder’s farming operation or insurance policy, acquired from the policyholder, USDA, the Comprehensive Information Management System, or the policyholder’s previous or current approved insurance provider or agent that is protected from disclosure by the Privacy Act of 1974 (5 U.S.C. § 552a), section 502(c) of the Act (7 U.S.C. § 1502(c)), or any other applicable Federal statute. This definition includes all hard copy or electronic information.

2. Any person either employed by or contracting with COMPANY who has access to Protected Information is required to sign an individual Non-disclosure Statement (NDS).

3. COMPANY will maintain copies of each such NDS and have them available for examination.

4. COMPANY has reviewed its files and, as of the date of this AGREEMENT, certifies that all employees or other persons having access to Protected Information have signed an NDS.

5. COMPANY and all of its affiliates shall develop, implement, and maintain information controls and systems, including those pertaining to all Protected Information and records, in a manner consistent with the Federal Information Security Management Act (FISMA) (44 U.S.C. § 3541), or any Federal law covering Federal crop insurance information. Said controls and systems shall include, among other requirements, provision for COMPANY to make notification of any compromise of Protected Information within one (1) hour of said compromise.

6. The requirements of this Exhibit shall survive and continue in full force and effect following the termination of this AGREEMENT.

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**CROP HAIL INSURANCE**

**FULL SERVICE AGENCY AGREEMENT**

**by and between**

**AMERICAN FARM BUREAU INSURANCE SERVICES, INC.**

**and**

**NODAK MUTUAL INSURANCE COMPANY, AMERICAN WEST INSURANCE COMPANY and BATTLE CREEK MUTUAL INSURANCE COMPANY**

**CROP YEAR 2016**

**THIS CROP HAIL INSURANCE FULL SERVICE AGREEMENT (AGREEMENT)** is made and entered into by and between **NODAK MUTUAL INSURANCE COMPANY, AMERICAN WEST INSURANCE COMPANY, and BATTLE CREEK MUTUAL INSURANCE COMPANY**, 1101 First Avenue North, Fargo, North Dakota, 58102 (collectively referred to as **COMPANY**) and **AMERICAN FARM BUREAU INSURANCE SERVICES, INC.**, 1501 E. Woodfield Road, Suite 300W, Schaumburg, IL 60173-5422 (**AFBIS**).

**PREAMBLE**

This **AGREEMENT**, for the processing and servicing of certain crop insurance policies issued by **COMPANY**, as more fully described in Article III – Business Covered below, (**POLICY** or **POLICIES**) is solely between **AFBIS** and **COMPANY** and shall not be assigned to any third party without the prior written mutual consent of the parties hereto and none of the terms of this **AGREEMENT** shall be construed to inure directly or indirectly to the benefit of any third party or persons not signatory hereto, nor to convey upon any such third party or non-signing persons any right of action hereunder.

**THEREFORE**, in consideration of the mutual terms and covenants as hereinafter expressly set forth, **COMPANY** and **AFBIS** agree as follows:

**ARTICLE I - EFFECTIVE DATE AND TERM**

- A. This **AGREEMENT** shall apply to all **POLICIES** described in Article III that become effective between January 1, 2016 and December 31, 2016. This **AGREEMENT** shall continue in full force and effect until terminated pursuant to Article XII – Termination
- B. This **AGREEMENT** supersedes any previous version or edition of this **AGREEMENT**.

**ARTICLE II - APPOINTMENT**

- A. **COMPANY** hereby appoints **AFBIS** as its service agent and **AFBIS** hereby accepts such appointment and authority, and agrees to carry out its resulting duties to the best of its ability, knowledge, skill and judgment.
- B. The performance of obligations by both parties under this **AGREEMENT** shall be in accordance with a fiduciary standard of good faith and fair dealing.
- C. **AFBIS** agrees to indemnify and hold harmless **COMPANY**, its officers, directors, agents and employees from and against any and all claims, demands, obligations, causes of action and lawsuits and all damages, liabilities, fines, judgments, costs (including settlement costs), and expenses associated therewith, including the payment of reasonable attorney fees and disbursements (other than expenses addressed in Article XI) arising out of the failure of **AFBIS**, its employees, independent contractors, or agents, to comply with the terms and conditions of this **AGREEMENT**. The obligations to indemnify contained in this paragraph will survive the expiration or termination of this **AGREEMENT**.

- D. COMPANY agrees to indemnify and hold harmless AFBIS, its officers, directors, agents and employees from and against any and all claims, demands, obligations, causes of action and lawsuits and all damages, liabilities, fines, judgments, costs (including settlement costs), and expenses associated therewith (including the payment of reasonable attorney fees and disbursements), arising out of: (1) the failure of COMPANY, its employees, independent contractors, or agents, to comply with the terms and conditions of this AGREEMENT; (2) the intentional and negligent acts or omissions of COMPANY, its employees, agents, or independent contractors, including but not limited to, any claims of bad faith based in whole or in part, upon the conduct or omissions of COMPANY, its employees, agents, or independent contractors; and (3) the services performed or actions taken by COMPANY, its employees, independent contractors, or agents, in connection with this AGREEMENT, including any activity incidental thereto. The obligations to indemnify contained in this paragraph will survive the expiration or termination of this AGREEMENT.
- E. COMPANY agrees that AFBIS shall have the right and authority to service and administer all POLICIES and POLICY information arising from the Business Covered by this AGREEMENT.

### **ARTICLE III - BUSINESS COVERED**

- A. This AGREEMENT applies to POLICIES that provide crop hail and any related coverages in any state listed on Exhibit A where COMPANY writes such policies. This AGREEMENT, however, shall not apply to multiple peril crop insurance coverages that are written and reinsured within the Federal Crop Insurance Program.
- B. The POLICIES described in this Article III must be sold by Farm Bureau or Affiliated Company agents pursuant to an agent services agreement described in the PREAMBLE to this AGREEMENT. Such POLICIES will be issued by COMPANY and become effective within the term set forth in Article I herein.

### **ARTICLE IV - AFBIS OBLIGATIONS**

AFBIS agrees to perform the following services for POLICIES sold by COMPANY's agents in the states identified in the attached List of Participating States (Exhibit A):

- A. Underwrite, issue and deliver directly to insureds and agents an electronic or mailed copy of each POLICY and any corresponding documents;
- B. Maintain all claims and underwriting records on an electronic system to which COMPANY will have access;
- C. Resolve errors with appropriate state insurance departments and National Crop Insurance Services Inc. (NCIS);
- D. Create all necessary reporting documents and make any necessary statistical reports to appropriate state insurance departments and NCIS;

- E. Make all necessary filings, at the request of COMPANY, or provide all necessary data to COMPANY, in a form acceptable to the appropriate state insurance departments.
- F. Bill each insured directly for payment of the premium due for each POLICY. Such billing dates and procedures will be provided to COMPANY in accordance with POLICY conditions. Premiums not paid within 30 days of their due date will carry a 1.25% (or maximum rate allowed by law) monthly interest charge. All unpaid policyholder premiums will be deducted from any loss payment payable to the policyholder.
- G. Perform all account functions and furnish COMPANY with copies of the account sheets monthly. AFBIS will also make available various reports and pertinent information to COMPANY upon request or as directed in writing by COMPANY.
- H. Hold all funds collected for the account of COMPANY in a fiduciary capacity in a bank that is a member of the Federal Reserve System. This account shall be used for payments on behalf of COMPANY, including but not limited to payments for allocated loss adjustment expenses. COMPANY will fund this account for anticipated allocated loss adjustment expenses with a deposit of 15% of the estimated total projected allocated loss adjustment expenses for the crop year. AFBIS will prepare the report and submit it to COMPANY for review and payment. COMPANY will then fund the account within thirty (30) days. Thereafter, AFBIS shall submit to COMPANY each month an assessment of additional deposit or refund needed to maintain the estimated 15% deposit position for allocated loss adjustment expenses. Within 30 days of the date of the end of the crop year, AFBIS shall prepare and submit to COMPANY a final settlement statement, calculating any additional deposit or refund due to settle all payment obligations for the crop year.
- I. Maintain separate records of business serviced by AFBIS. COMPANY shall have access and the right to copy all accounts and records related to its business in a form usable by COMPANY.
- J. Exercise full claim settlement authority. All reported claims will be adjusted using industry prescribed procedures. Claims shall be handled on a timely basis and in a professional manner. Loss payments shall be made directly to COMPANY insured policyholders within the limitations specified in the POLICY.
- K. Allow COMPANY to terminate for cause any settlement authority granted AFBIS upon COMPANY'S written notice to AFBIS or upon the termination of this AGREEMENT. COMPANY may suspend the settlement authority during the pendency of any dispute regarding the cause for termination.
- L. Maintain all claim files as the joint property of COMPANY and AFBIS. However, upon an order of liquidation of COMPANY, such files shall become the sole property of COMPANY or its estate and AFBIS shall have reasonable access to and the right to copy the files on a timely basis.

- M. Provide, as often as it deems necessary, education sessions for COMPANY' s agents to keep COMPANY'S agents fully informed and updated on writing POLICIES as the program currently exists and as it changes from time to time.
- N. Provide COMPANY'S agents with the current POLICY and underwriting procedures on at least an annual basis.
- O. Comply with all laws and regulations pertaining to POLICIES.

**ARTICLE V - COMPANY OBLIGATIONS**

- A. COMPANY agrees to perform the following activities:
  - 1. Support AFBIS in collecting premiums from policyholders on or before the premium due date(s).
  - 2. Have agents obtain premium security agreements as may be required by AFBIS to assist AFBIS in collection of such premium.
  - 3. Transfer to AFBIS in a timely manner any premium checks inadvertently received by COMPANY. All premium checks on POLICIES will be made payable to AFBIS.
  - 4. Accept liability if premium is not paid by the policyholder(s).
  - 5. Require agents to maintain an agent errors and omission policy which covers POLICIES written by COMPANY.
  - 6. Management support of AFBIS in our efforts to provide education to COMPANY's writing agents on the proper methods of writing crop insurance.
  - 7. Compensate its own agents for the sale of POLICIES.
  - 8. Comply with all laws and regulations pertaining to the marketing and sale of POLICIES.
  - 9. Retain responsibility for underwriting gain and loss of the subject business.
  - 10. Perform any and all other necessary activities required to support the business which is subject to this AGREEMENT.
- B. COMPANY understands, acknowledges and agrees that all proprietary rights, title and interest to the forms and documentation that AFBIS provides under this AGREEMENT vests in AFBIS. COMPANY may not use, copy or distribute same without AFBIS' prior written permission.
- C. In addition, COMPANY understands, acknowledges and agrees that the services provided by AFBIS under this AGREEMENT shall be for the sole use of COMPANY and any of their wholly owned and controlled subsidiaries. COMPANY is prohibited from using or permitting the use of AFBIS' services and systems by any other persons or entities.

**ARTICLE VI - AFBIS LIMITATIONS**

AFBIS shall not:

- A. Sell or attempt to sell through COMPANY’S agents, or in any manner contact such agents regarding any insurance policy not issued by COMPANY except as provided herein or as expressly agreed in writing.
- B. Bind reinsurance or retrocessions on behalf of COMPANY.
- C. Commit COMPANY to participate in insurance or reinsurance syndicates.
- D. Collect any payment from a reinsurer or commit COMPANY to any claim settlement with a reinsurer; without prior approval of COMPANY. Following such collection, a report will be promptly forwarded to COMPANY.

**ARTICLE VII - SERVICE FEES**

COMPANY agrees to pay AFBIS a commission according to the attached Service Fee Schedule (Exhibit B), which is attached hereto and incorporated herein by reference. Service fees may be changed annually, by written agreement of the parties. If no changes are made, the service fee terms will continue according to the most recent Service Fee Schedule.

**ARTICLE VIII - WARRANTIES**

COMPANY makes the following warranties with respect to the performance of its obligations under this AGREEMENT:

- A. COMPANY is a duly authorized and licensed insurance company in each state listed in Exhibit A where COMPANY writes POLICIES.
- B. COMPANY’S agents are duly authorized and licensed to produce POLICIES in all territories where such POLICIES are written by COMPANY.

**ARTICLE IX - TAXES**

COMPANY will be responsible to pay any premium taxes on POLICIES that are subject to this AGREEMENT.

**ARTICLE X - CURRENCY**

Wherever the word “dollars” or the “\$” symbol is used in this AGREEMENT, it shall mean dollars of the United States of America.



## **ARTICLE XI - ALLOCATION OF LEGAL DEFENSE EXPENSES**

- A. Subject to the provisions of Article II (D), which indemnity provisions supersede and govern all allocations of claim liability and legal defense expenses, including each subparagraph of this Article, this Article XI governs the allocation and payment of legal defense expenses (including litigation related expenses) incurred in the resolution of a claim filed by an insured against COMPANY, which in any way arises out of the processing or servicing of crop insurance policies issued by COMPANY or AFBIS (a claim) only in the event COMPANY notifies AFBIS within fifteen (15) business days of receiving notice of a claim.
- B. AFBIS shall pay all legal defense expenses as they are incurred, and Company and AFBIS shall allocate the expenses pursuant to this Article XI when the claim is closed, including the conclusion of all litigation related to the claim. Company shall remit payment of the agreed allocation within thirty (30) days thereafter, unless the arbitration provisions of Article XIII have been invoked by either party.
- C. In the event such a claim is litigated in a court of law, arbitration, or other judicial or quasi judicial proceeding (legal proceeding) and all interested parties are named in the legal proceeding, all legal defense expenses incurred by COMPANY shall be allocated between the COMPANY or AFBIS in the same ratio that liability or negligence is allocated in the legal proceeding to the interested parties, their agents or employees.
- D. In no such event shall COMPANY or AFBIS be liable for legal defense expenses in excess of its allocated proportion of liability or negligence as established by the legal proceeding.
- E. In the event COMPANY or AFBIS are named in the legal proceeding but no allocation of liability or negligence is established in the legal proceeding, all such incurred legal defense expenses shall be shared equally between the interested parties.
- F. In the event the claim is not litigated or the legal proceeding does not include all interested parties, the interested parties, through their duly appointed representatives, shall participate in a meeting at a mutually agreeable time and place or by teleconference to determine a fair, reasonable and mutually acceptable allocation of the legal defense expenses based on available evidence of each of their relative degrees of liability, if any (i.e., from 0% to 100%) (Allocation Agreement). The interested parties shall use their best efforts to reach an Allocation Agreement.
- G. In the event COMPANY proceeds independently to settlement of a claim without first consulting with the other interested parties as to the allocation of legal defense expenses, then all such legal defense expenses incurred shall be paid in full by COMPANY.

## **ARTICLE XII - TERMINATION**

- A. Either party may terminate this AGREEMENT for any reason, or for no reason at all. The termination shall be effective December 31 of any year by giving the other party prior written notice of intent to terminate. Such notice shall be delivered, by certified mail, at least ninety (90) days prior to the effective date of such termination.

- B. Notwithstanding the foregoing paragraph, COMPANY may terminate this AGREEMENT at any time for cause upon ten (10) days advance written notice to AFBIS, Inc.
- C. In the event of an anticipated change in the COMPANY ownership, management or control of the conduct of the business of COMPANY by merger, sale or other change in controlling interest, COMPANY shall immediately notify AFBIS in writing of the expected effective date. Within thirty (30) days after receipt of such notice, AFBIS may terminate this AGREEMENT in its entirety by sending notice in writing to COMPANY, stating the effective time and date (not less than five (5) days after the date this notice was mailed) of such termination. If COMPANY fails to give notice of such anticipated change, AFBIS may nonetheless terminate in like manner within thirty (30) days after acquiring knowledge of same.
- D. This AGREEMENT shall terminate automatically and simultaneously upon the happening of any of the following events:
  - 1. Entry of an order of liquidation, rehabilitation, receivership or conservatorship with respect to the COMPANY or AFBIS by any court or regulatory authority;
  - 2. Assignment of this AGREEMENT by either party.
- E. Upon termination of this AGREEMENT, for whatever cause, AFBIS shall transfer to COMPANY all of COMPANY'S records in AFBIS' possession unless otherwise agreed in writing by COMPANY. Records, as used in this paragraph, include both electronic and paper documentation.

#### **ARTICLE XIII - ARBITRATION**

- A. As a condition precedent to any right of action hereunder, any dispute arising out of this AGREEMENT shall be submitted to the decision of a board of arbitration composed of two arbitrators and one umpire, meeting in Schaumburg, Illinois unless otherwise agreed.
- B. The members of the board of arbitration shall be active or retired disinterested officials of insurance companies or agencies. Each party shall appoint its own arbitrator and the two arbitrators shall choose the umpire before instituting the hearing. If the respondent fails to appoint its arbitrator within four (4) weeks after being requested to do so by the claimant, the latter shall also appoint the second arbitrator. If the two arbitrators fail to agree upon the appointment of the umpire within four (4) weeks after their nominations, each of them shall name three (3), of whom the other shall decline two (2) and the decision shall be made by drawing lots. It is the intent of the parties to this AGREEMENT where the arbitrators have failed to agree, that the selection of umpire be confined to this determination by chance.

- C. The claimant shall submit its initial brief within twenty (20) days after appointment of the umpire. The respondent shall submit its brief within twenty (20) days after receipt of the claimant's brief and the claimant may submit a reply brief within ten (10) days after receipt of the respondent's brief.
- D. The board shall make its decision with regard to the custom and usage of the insurance business. The board shall issue its decision in writing based upon a hearing in which evidence may be introduced without following strict rules of evidence, but in which cross examination and rebuttal shall be allowed. The board shall make its decision within sixty (60) days following the termination of the hearings unless the parties consent to an extension. The majority decision of the board shall be final and binding upon all parties to the proceeding. Judgment may be entered upon the award of the board in any court having jurisdiction thereof.
- E. Each party shall bear the expense of its own arbitrator and shall jointly and equally bear with the other party the expense of the umpire. The remaining costs of the arbitration proceeding shall be allocated by the board.

#### **ARTICLE XIV - MISCELLANEOUS**

- A. This AGREEMENT constitutes the final and entire AGREEMENT between the parties with respect to the subject matter addressed herein. This AGREEMENT shall not be contradicted or supplemented by any previous or contemporaneous agreement or statement of representation. This AGREEMENT may be amended only in writing signed by all parties hereto.
- B. AFBIS shall maintain in force, throughout the term of this AGREEMENT, a Business Errors and Omissions Policy. At COMPANY's request, AFBIS will provide to COMPANY a copy of the most recent Declaration Page of AFBIS' Errors and Omissions Policy.
- C. This AGREEMENT shall be interpreted according to the laws of the State of North Dakota, regardless of the choice of law/conflict of law provisions thereunder.
- D. This AGREEMENT is solely between AFBIS and COMPANY and shall not be assigned to any third party without prior written mutual consent of the parties hereto, except that COMPANY may assign this AGREEMENT to any of COMPANY's affiliates without the written consent of AFBIS.

- E. Confidential information which pertains to customers of COMPANY and its affiliated companies obtained pursuant to this AGREEMENT will be held in strict confidence and used only as necessary to provide services under this AGREEMENT. Access to customer information will be limited to those persons who need such information to provide services under this AGREEMENT, pursuant to reasonable business practices adopted to limit access and unauthorized disclosure of same, and under the terms of this provision, or where otherwise require by law. AFBIS shall indemnify COMPANY and its affiliated entities, and it and their respective directors, officers, employees and all other persons and entities acting on behalf of or under control of any of them against, and hold it (and them) harmless from losses that may be sustained by it (or them) by reason of any breach of this provision by AFBIS or its partners, officers, employees or representatives, or by any other person or entity acting on behalf of or under control of AFBIS. For purposes of this provision, losses shall include but not be limited to costs, claims, damages, legal fees, liabilities, penalties, and expenses. Within thirty (30) days of the termination of this AGREEMENT, AFBIS shall return and/or destroy all confidential customer information in its possession, at COMPANY's request. The parties agree in good faith that any disclosure of information hereunder from AFBIS qualifies as one or more of the general exceptions of both notice and an opportunity for opt-out under the Gramm-Leach-Bliley Act (Act). Furthermore, the parties agree that any information disclosed by AFBIS hereunder shall only be used by AFBIS for the sole purpose for which it was disclosed by AFBIS under this AGREEMENT.
- F. Notwithstanding any other provision in this AGREEMENT, to the extent this AGREEMENT requires the disclosure of any "non-public personal information" as defined under the Act from COMPANY and/or its agents to AFBIS, AFBIS represents, warrants and agrees that AFBIS and its agents and/or representatives shall not disclose or use this non-public information other than to carry out the purposes for which COMPANY and/or its agents disclosed the information to AFBIS.
- G. In the event any provision of this AGREEMENT is determined to be invalid by a court of competent jurisdiction, such determination shall in no way affect the validity of enforceability of any other provision herein.
- H. This AGREEMENT may be executed in counterparts, each of which shall be deemed an original agreement, but all of which together shall constitute one and the same agreement.
- I. Each of the parties hereto shall conduct the work to be performed hereunder as an independent contractor and not as an agent or employee of the other party. Subject to the terms and conditions of this AGREEMENT, each party shall choose the means to be employed and the manner of carrying out its obligations hereunder. Each party shall have the sole responsibility for the supervision and payment of its personnel and, except as agreed to in writing, all other costs and expenses required to perform its obligations hereunder. This AGREEMENT does not create a partnership, joint venture, or fiduciary relationship.
- J. No party to this AGREEMENT shall furnish copies of this AGREEMENT or disclose the provision hereof to any person which is not party to this AGREEMENT, except and to the extent as may be required in order to comply with any law or governmental order, court rule for discover, regulation or ruling. Article XIV, paragraph E, shall survive and shall continue in full force and effect following the termination of this AGREEMENT.
- K. The waiver by either party or a breach or violation of any provision of this AGREEMENT shall not operate or be construed as a waiver of any subsequent breach of such provision.

**IN WITNESS WHEREOF** the parties hereto have caused this CROP HAIL INSURANCE FULL SERVICE AGREEMENT to be executed in duplicate at the places and on the dates listed below, to become effective as provided in Article I – Effective Date and Term.

**AMERICAN FARM BUREAU INSURANCE SERVICES, INC.**

Accepted as to form and content by its duly authorized representative

/s/ Tim A. Green

\_\_\_\_\_  
Name: Tim A. Green

Title: Vice President & General Manager

Executed at Fargo, North Dakota, this 29 day of January 2016.

**NODAK MUTUAL INSURANCE COMPANY/AMERICAN WEST INSURANCE COMPANY/BATTLE CREEK MUTUAL INSURANCE COMPANY**

Accepted as to form and content by its duly authorized representative

/s/ Brian R. Doom

\_\_\_\_\_  
Name: Brian R. Doom

Title: Secretary Treasurer & CFO

Executed at Fargo, North Dakota, this 6th day of February 2016.

**EXHIBIT A**

**TO**

**CROP HAIL INSURANCE FULL SERVICE AGREEMENT**

**by and between**

**AMERICAN FARM BUREAU INSURANCE SERVICES, INC.**

**And**

**NODAK MUTUAL INSURANCE COMPANY, AMERICAN WEST INSURANCE COMPANY and BATTLE CREEK MUTUAL INSURANCE COMPANY**

**CROP YEAR 2016**

**LIST OF PARTICIPATING STATES**

**MINNESOTA**

**NEBRASKA**

**NORTH DAKOTA**

**SOUTH DAKOTA**

**EXHIBIT B**

**TO**

**CROP HAIL INSURANCE FULL SERVICE AGREEMENT**

**by and between**

**AMERICAN FARM BUREAU INSURANCE SERVICES, INC.**

**and**

**NODAK MUTUAL INSURANCE COMPANY, AMERICAN WEST INSURANCE COMPANY and BATTLE CREEK MUTUAL INSURANCE COMPANY**

**CROP YEAR 2016**

**SERVICE FEE SCHEDULE**

For POLICIES issued in the states identified in Exhibit A, Company shall pay to AFBIS service fees in the amounts and manner described below:

1. a. Eight percent (8.0%) of adjusted processed premium, to a maximum \$325,000.
- b. One and sixty-two hundredths percent (1.62%) for Allocated Loss Adjustment Expense on adjusted processed premium adjusted to actual upon final settlement.
2. Interest charged to COMPANY's policyholders for late payment of premium will be paid to COMPANY. No service fees will apply to such interest.

INCENTIVE PLAN DESIGN

INCENTIVE PLAN	COMPONENTS										
Plan Objectives	<ul style="list-style-type: none"> <li>· Reward performance.</li> <li>· Encourage teamwork.</li> <li>· Create a high performance culture.</li> <li>· Focus everyone on what's important to the success of the company.</li> </ul>										
Participants	<ul style="list-style-type: none"> <li>· Employees with employment date on or before January 1 and employed on December 31 of the plan year.</li> <li>· Agents at Associate, Partner or Senior Partner level.</li> <li>· Employees on probation status are excluded.</li> </ul>										
Performance Period	<ul style="list-style-type: none"> <li>· Results from January 1 – December 31.</li> </ul>										
Payout Frequency	<ul style="list-style-type: none"> <li>· Annually – on or prior to April 15.</li> </ul>										
Performance Tracking	<ul style="list-style-type: none"> <li>· Monthly report furnished to employees, agents, and board of directors.</li> </ul>										
Establishment of Goals	<ul style="list-style-type: none"> <li>· Recommendation by senior staff to management committee.</li> </ul>										
Verification of Goals	<ul style="list-style-type: none"> <li>· Establish criteria for independent auditors to review and certify to management committee that goals have been met.</li> </ul>										
Payout Calculation	<p><b>Nodak Mutual Group must achieve a net underwriting gain and the Return on Equity must equal or exceed 5.0% or no compensation is paid.</b></p> <ul style="list-style-type: none"> <li>· Total of five goals:               <ol style="list-style-type: none"> <li>1. Financial Strength</li> <li>2. Retention</li> <li>3. Growth (Life/New Policies/Units/Inforce Policies)</li> <li>4. Loss Ratio</li> <li>5. Expense Ratio</li> </ol> </li> <li>· Agents               <ul style="list-style-type: none"> <li>o Eligibility and details are contained in the Agent Recognition Program.</li> </ul> </li> <li>· Eligible Employees*               <ul style="list-style-type: none"> <li>o Employees, hired on or before January 1, are eligible to receive 2% for each goal achieved multiplied by their earned salary for the calendar year (does not include bonuses or any other compensation) multiplied by the bonus percentage based upon the table below.                   <table border="1" data-bbox="687 987 1331 1133" style="margin-left: 40px;"> <thead> <tr> <th>Return on Equity</th> <th>Payment</th> </tr> </thead> <tbody> <tr> <td>5.0% to 7.99%</td> <td>25% of bonus</td> </tr> <tr> <td>8.0% to 9.99%</td> <td>50% of bonus</td> </tr> <tr> <td>10.0% to 11.49%</td> <td>75% of bonus</td> </tr> <tr> <td>11.5% and greater</td> <td>100% of bonus</td> </tr> </tbody> </table> </li> <li>o Employees hired after January 1 and prior to July 1 of the plan year are eligible to receive 1% for each goal achieved multiplied by the earned salary for the calendar year (does not include bonuses or any other compensation) multiplied by the bonus percentage based upon the table above.</li> <li>o Employees hired after July 1 are not eligible until the following year.</li> </ul> </li> </ul> <p>*CEO – 15% per goal, CFO &amp; VP Operations = 10% per goal, Director/Manager Level = 4% per goal, All Other = 2% per goal</p>	Return on Equity	Payment	5.0% to 7.99%	25% of bonus	8.0% to 9.99%	50% of bonus	10.0% to 11.49%	75% of bonus	11.5% and greater	100% of bonus
Return on Equity	Payment										
5.0% to 7.99%	25% of bonus										
8.0% to 9.99%	50% of bonus										
10.0% to 11.49%	75% of bonus										
11.5% and greater	100% of bonus										
Evaluation of Effectiveness	<ul style="list-style-type: none"> <li>· Complete an evaluation annually to determine changes needed and if plan is achieving objectives.</li> </ul>										
Estimated Potential Payout	<ul style="list-style-type: none"> <li>· \$0 - \$2,000,000</li> </ul>										
Mitigating Circumstances	<ul style="list-style-type: none"> <li>· Based on independent auditor recommendations the management committee may consider mitigating circumstances.</li> </ul>										



NODAK MUTUAL INSURANCE COMPANY  
2015 CORPORATE GOALS

NOTE: The Incentive Bonus Plan is dependent upon first achieving the Return on Equity goal.

	2015	2015 Goal
Return on Equity	16.39%	9.90%

**FINANCIAL STRENGTH (Projected Net Premium/Current Surplus)**

Year	2015	2015 Goal
Surplus (000's Omitted)	\$ 141,331	\$ 136,080
Premium-to-Surplus Ratio	0.93	1.10

**CORPORATE POLICY PRIORITY #1: Customer Service (Based on Nodak Mutual Only)**

VEHICLE/POLICY RETENTION

Line of Business	12 Months Ending	
	12/31/2015	2015 Goal
Auto (Vehicles)	96.2%	97.2%
Home	88.9%	89.2%
Farm	95.9%	95.6%
<b>Total</b>	<b>95.2%</b>	<b>96.0%</b>
Claims Survey Results	<b>95.6%</b>	<b>95.0%</b>

\* Nodak Mutual results only - Overall Claims Service Satisfaction

**CORPORATE POLICY PRIORITY #2: Growth (Based on Nodak Mutual Only)**

VEHICLES/POLICIES-IN-FORCE

Line of Business	2015	2015 Goal
Auto Vehicles	90,376	91,158
Home	14,101	14,351
Farm	6,929	6,954
<b>Total All Lines</b>	<b>111,406</b>	<b>112,462</b>

NEW BUSINESS POLICIES/VEHICLES INSURED

Line of Business	12 Months Ending	
	12/31/2015	2015 Goal
Auto Vehicles	4,669	4,400
Home	1,895	1,900
Farm	272	300
<b>Total All Lines</b>	<b>6,836</b>	<b>6,600</b>

LIFE PRODUCTION

Apps/Premium	12 Months Ending	
	12/31/2015	2015 Goal
Apps	522	575
Premium	\$ 924,841	\$ 915,000

**CORPORATE POLICY PRIORITY #3: Loss Ratio - Nodak Mutual Group (incl. American West & Battle Creek)**

LOSS RATIO

Line of Business	2015 YTD	2015 Goal
Net Loss Ratio - All Lines	52.4%	67.5%

**CORPORATE POLICY PRIORITY #4: Efficient Operations**

EXPENSE RATIO

Expense	12 Months Ending	
	12/31/2015	2015 Goal
UW & General Expense (W)	26.2%	20.1%
LAE (E)	5.4%	6.4%
<b>Total</b>	<b>31.6%</b>	<b>26.9%</b>

NI HOLDINGS, INC.

EMPLOYEE STOCK OWNERSHIP PLAN

(Effective [INSERT DATE])

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ARTICLE I  
INTRODUCTION

The NI Holdings, Inc. Employee Stock Ownership Plan (the “Plan”) was established by NI Holdings, Inc. (the “Company”) in order for its employees to participate in the ownership of the Company. The Plan, which was effective as of [INSERT DATE], is intended to be an employee stock ownership plan within the meaning of Section 4975(e)(7) of the Internal Revenue Code of 1986, as amended, and is designed to invest primarily in Company Stock, which at all times shall meet the requirements for qualifying employer securities under Code Section 409(l). The purchase of Company Stock for the Plan was made with the proceeds of an exempt loan that met the requirements of Section 54.4975-7(b) of the Treasury Regulations (including any amendments thereto) and Section 2550.408(b)-3 of the Department of Labor Regulations (including any amendments thereto), employer contributions, dividends on qualified employer securities or a combination thereof.

ARTICLE II  
DEFINITIONS

The following initially capitalized words and phrases when used in the Plan shall have the following meanings, unless the context clearly requires otherwise.

2.1 Account means the bookkeeping account established for each Participant which reflects the value of the Participant's interest in the Plan. This Account shall include a Company Stock Account, which reflects the number of shares of Company Stock allocated to the Participant and an Investment Account which reflects other investments allocated to the Participant.

2.2 Administrative Committee and Committee, used interchangeably, means the named fiduciary of the Plan, which is appointed by the Board of Directors, as is more fully described in Article XII. In the event the Board of Directors does not appoint an Administrative Committee, Administrative Committee means the Board of Directors.

2.3 Affiliate means the Company and any corporation which is a member of a controlled group of corporations (as defined in Code Section 414(b)) which includes the Company; any trade or business (whether or not incorporated) which is under common control (as defined in Code Section 414(c)) with the Company; any organization (whether or not incorporated) which is a member of an affiliated service group (as defined in Code Section 414(m)) which includes the Company; and any other entity required to be aggregated with the Company pursuant to regulations under Code Section 414(o).

2.4 Beneficiary means the individual(s) or entities entitled to receive the Participant's benefits under the Plan in the event of the Participant's death prior to receiving all benefits payable under the Plan.

2.5 Board of Directors means the Board of Directors of the Company as constituted from time to time.

2.6 Break in Service means a Plan Year during which an Employee (a) has terminated employment or is no longer employed with the Company or an Affiliate, and (b) fails to complete more than five hundred (500) Hours of Service.

2.7 Change in Control means the occurrence of any of the following:

(a) (i) a merger, consolidation, or division involving the Company, (ii) a sale, exchange, transfer, or other disposition of substantially all of the assets of the Company, or (iii) a purchase by the Company of substantially all of the assets of another entity, unless (x) such merger, consolidation, division, sale, exchange, transfer, purchase or disposition is approved in advance by at least a majority of the members of the Board of Directors who are not interested in the transaction and (y) a majority of the members of the board of directors of the legal entity resulting from or existing after any such transaction and of the board of directors of such entity's parent corporation, if any, are former members of the Board of Directors;

(b) a “person” or “group” (within the meaning of Section 13(d) of the Securities Exchange Act of 1934) becomes the “beneficial owner” (within the meaning of Section 13(d) of the Securities Exchange Act of 1934) of 50% or more of the outstanding shares of common stock of the Company except that a Change in Control shall not result from any transfer of ownership to the Plan; or

(c) at any time during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors cease to constitute a majority of such Board of Directors (unless the election or nomination of each new director was approved by a vote of at least 51% of the directors who were directors at the beginning of such period).

2.8 Code means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

2.9 Company means NI Holdings, Inc. and any Affiliate which adopts this Plan with the approval of the Board of Directors of the Company and any successor to the business of the Company that agrees to assume the Company’s obligations under the Plan.

2.10 Company Stock means shares of common stock issued by the Company that are Readily Tradable; provided, however, if the Company's common stock is not Readily Tradable, "Company Stock" means common stock issued by the Company having a combination of voting power and dividend rates equal to or in excess of: (a) that class of common stock of the Company having the greatest voting power and (b) that class of common stock of the Company having the greatest dividend rights. Non-callable preferred stock shall be treated as Company Stock for purposes of the Plan if such stock is convertible at any time into stock that is readily tradable on an established securities market (or, if applicable, that meets the requirements of (a) and (b) next above) and if such conversion is at a conversion price that, as of the date of the acquisition by the Plan, is reasonable. For purposes of the immediately preceding sentence, preferred stock shall be treated as non-callable if, after the call, there will be a reasonable opportunity for a conversion that meets the requirements of the immediately preceding sentence. Company Stock shall be held under the Trust only if such stock satisfies the requirements of Section 407(d)(5) of ERISA. For purposes of this definition “Company” includes any corporation that is a member of a controlled group of corporations with the Company (within the meaning of Section 409(l)(4) of the Code).

2.11 Compensation means wages within the meaning of Code Section 3401(a) and all other payments of compensation to a Participant by the Employer during a Plan Year for which the Employer is required to report on Form W-2. Compensation must be determined without regard to any rules under Code Section 3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed. Compensation also includes any salary reduction contributions elected by a Participant which is not includible in the gross income of the Participant pursuant to any plan maintained by the Company in accordance with Code Sections 401(k), 125(a), 132(f)(4), 402(e)(3), 402(h)(1), 402(k), or 457(b).



Payments made within 2 ½ months after severance from employment (within the meaning of Code Section 401(k)(2)(B)(i)(I)) will be Compensation if they are payments that, absent a severance from employment, would have been paid to the Participant while the Participant continued in employment with the Employer and are regular compensation for services during the Participant's regular working hours, compensation for services outside the Participant's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar compensation, and payments for accrued bona fide sick, vacation or other leave, but only if the Participant would have been able to use the leave if employment had continued. Any payments not described above are not considered Compensation if paid after severance from employment, even if they are paid within 2 ½ months following severance from employment, except for payments to an individual who does not currently perform services for the Employer by reason of qualified military service (within the meaning of Code Section 414(u)(1)) to the extent these payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the Employer rather than entering qualified military service.

Notwithstanding the foregoing, Compensation shall not include any amounts earned prior to becoming a Participant in the Plan, except that Compensation in 2016 shall include Compensation for the entire calendar year.

The annual compensation for each Participant taken into account under the Plan shall not exceed \$265,000, as adjusted by the Internal Revenue Service at the same time and in the same manner as under Code Section 415(d).

2.12 Disability means a medically determinable physical or mental impairment which is of such permanence and degree that it can be expected to result in death or that a Participant is unable, because of such impairment, to perform, for a continuous period of not less than twelve months, any substantial gainful activity for which the Participant is suited by virtue of such Participant's experience, training or education and which would entitle the Participant to benefits under the Employer's long-term disability plan, if any, or to Social Security disability benefits as evidenced by a disability award letter.

2.13 Disqualified Person means a person defined in Code Section 4975(e), including but not limited to (i) a fiduciary of the Plan; (ii) a person providing services to the Plan; (iii) an owner of 50 percent or more of the combined voting power or value of all classes of stock of the Company entitled to vote or the total value of shares of all classes of stock of the Company and certain members of such owner's family; or (iv) an officer, director, 10 or greater shareholder or highly compensated employee (who earns 10 percent or more of the yearly wages) of the Company.

2.14 Effective Date means [INSERT DATE] which is the date on which the provisions of this Plan became effective.

2.15 Eligibility Computation Period means the twelve-consecutive month period beginning on the first day that the Employee is entitled to be credited with an Hour of Service and subsequent twelve-month periods beginning on the first day of the Plan Year occurring during the Employee's initial Eligibility Computation Period.

2.16 Employee means an individual who is employed as a common law employee by the Company or an Affiliate on a salaried or hourly basis and with respect to whom the Company or the Affiliate is required to withhold taxes from remuneration paid to such Employee by the Company or Affiliate for personal services rendered to the Company, including any officer or director who shall so qualify. If an individual is not considered to be an Employee in accordance with the preceding sentence for a Plan Year, a subsequent determination by the Company, any governmental agency or court that the individual is a common law employee of the Company, even if such determination is applicable to prior years, will not have a retroactive effect for purposes of eligibility to participate in the Plan.

2.17 Employer means the Company.

2.18 Entry Date means January 1 and July 1 of each Plan Year.

2.19 ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time, including any regulations promulgated thereunder.

2.20 Exempt Loan means the issuance of notes, a series of notes or other installment obligations incurred by the Trustee, in accordance with the Trust, the terms of which shall satisfy the requirements of Treasury Regulations Section 54.4975-7(b), including the requirements: (a) that the loan be primarily for the benefit of Participants and beneficiaries; (b) that the loan bear a reasonable rate of interest, be for a definite period (rather than payable on demand), and be without recourse against the Plan, (c) that the only assets of the Plan that may be given as collateral are shares of Common Stock purchased with the proceeds of that loan or with the proceeds of a prior Exempt Loan; and (d) that the proceeds of the Exempt Loan may be used only to repay such loan or a prior loan, or to acquire Company Stock.

2.21 Highly Compensated Employee

(a) Highly Compensated Employee means an Employee who performs service during the determination year and is described in one or more of the following groups:

(i) An Employee who is a five percent owner, as defined in Code Section 416(i)(1)(A)(iii), at any time during the determination year or the look-back year.

(ii) An Employee who receives Compensation in excess of \$120,000 (indexed in accordance with Code Section 415(d)) during the look-back year and is a member of the top-paid group for the look-back year.

(b) For purposes of the definition of Highly Compensated Employee, the following definitions and rules shall apply:

(i) The determination year is the Plan Year for which the determination of who is highly compensated is being made.

(ii) The look-back year is the 12 month period immediately preceding the determination year, or if the Employer elects, the calendar year ending with or within the determination year.

(iii) The top-paid group consists of the top 20 percent of employees ranked on the basis of Compensation received during the year. For purposes of determining the number of employees in the top-paid group, employees described in Code Section 414(q)(8) and Treasury Regulations Section 1.414(q)-1T Q&A 9(b) are excluded.

(c) Compensation for purposes of this Section 2.21 is Compensation as defined in Section 2.11 of the Plan plus any Compensation paid by an Affiliate.

2.22 Hours of Service means:

(a) Performance of Duties. The actual hours for which an Employee is paid or entitled to be paid by the Company for the performance of duties;

(b) Nonworking Paid Time. Each hour for which an Employee is paid or entitled to be paid by the Company on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity, disability (to the extent not already included in Compensation), layoff, jury duty, military duty or leave of absence; provided, however, no more than 501 Hours of Service shall be credited to an Employee under this subsection for any single continuous period (whether or not such period occurs in a single computation period); and provided further that no credit shall be given for payments made or due under a plan maintained solely for the purpose of complying with applicable worker's or unemployment compensation or disability insurance laws or for payments which solely reimburse an Employee for medical or medically related expenses incurred by the Employee; and

(c) Maternity, Paternity and FMLA Leave. Solely for purposes of determining whether a one year Break in Service has occurred for purposes of determining eligibility to participate and vesting, each hour for which an Employee is absent from employment by reason of (i) pregnancy of the Employee, (ii) birth of a child of the Employee, (iii) placement of a child in connection with the adoption of the child by an individual, or (iv) caring for the child during the period immediately following the birth or placement for adoption. Hours of Service shall also, for these limited purposes, include each hour for which an Employee who has worked for the Company or an Affiliate for at least 12 months and for at least 1,250 Hours of Service during the year preceding the start of the leave, is absent from employment on an unpaid family leave for up to 12 weeks, as provided for in the Family and Medical Leave Act of 1993 (the "FMLA Leave"), by reason of (A) the birth or adoption of a child, (B) the care of a Spouse, child or parent with a serious health condition, or (C) the Employee's own serious health condition, provided that such an Employee provides the Company with a 30-day advance notice if the leave is foreseeable, and/or medical certification satisfactory to support the Employee's request for leave because of a serious health condition. For purposes of determining whether an Employee's leave qualifies as a "FMLA Leave" in order to be credited with Hours of Service under this Plan, the Family and Medical Leave Act of 1993 ("FMLA") and the regulations promulgated thereunder shall apply. During the period of absence, the Employee shall be credited with the number of hours that would be generally credited but for such absence or if the general number of work hours is unknown, eight Hours of Service for each normal workday during the leave (whether or not approved). These hours shall be credited to the computation period in which the leave of absence commences if crediting of such hours is required to prevent the occurrence of a one year Break in Service in such computation period, and in other cases, in the immediately following computation period. The computation period shall be the same as the relevant period for determining eligibility computation periods and vesting computation periods. Unless otherwise required under the FMLA and the regulations promulgated thereunder, no more than 501 Hours of Service shall be credited under this paragraph for any single continuous period (whether or not such period occurs in a single computation period).

(d) Back Pay. Each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Company; provided, however, Hours of Service credited under paragraphs (a), (b) and (c) above shall not be recredited by operation of this paragraph.

(e) Equivalencies. The Administrative Committee shall have the authority to adopt any of the following equivalency methods for counting Hours of Service that are permissible under regulations issued by the Department of Labor: (i) Working Time; (ii) Periods of Employment; (iii) Earnings; or (iv) Elapsed Time. The adoption of any equivalency method for counting Hours of Service shall be evidenced by a certified resolution of the Committee, which shall be attached to and made part of the Plan. Such resolution shall indicate the date from which such equivalency shall be effective.

(f) Miscellaneous. Unless the Administrative Committee directs otherwise, the methods of determining Hours of Service when payments are made for other than the performance of duties and of crediting such Hours of Service to Plan Years set forth in Department of Labor Regulations Sections 2530.200b-2(b) and (c), shall be used hereunder and are incorporated by reference into the Plan.

Participants on military leaves of absence who are not directly or indirectly compensated or entitled to be compensated by the Company while on such leave shall be credited with Hours of Service as required by the Uniformed Services Employment and Reemployment Rights Act.

Notwithstanding any other provision of this Plan to the contrary, an Employee shall not be credited with Hours of Service more than once with respect to the same period of time.

An Employee's Hours of Service shall include Hours of Service attained prior to the Plan's original Effective Date.

2.23 Investment Manager means an investment advisor, bank or insurance company, meeting the requirements of ERISA Section 3(38), appointed by the Company to manage the Plan's assets in accordance with the Trust Agreement.

2.24 Leased Employee means any person who performs services for an Employer or an Affiliate (the "recipient") (other than an employee of the "recipient") pursuant to an agreement between the "recipient" and any other person (the "leasing organization") on a substantially full-time basis for a period of at least one year, provided that such services are performed under primary direction of or control by the "recipient".

2.25 Normal Retirement Date means the date on which a Participant attains age 65.

2.26 Participant means an Employee participating in the Plan in accordance with Article III.

2.27 Plan means the NI Holdings, Inc. Employee Stock Ownership Plan, as set forth in this document and in the Trust Agreement pursuant to which the Trust is maintained, in each case as amended from time to time.

2.28 Plan Year means the calendar year; provided, however, that the Plan's initial Plan Year shall be for the period beginning [INSERT DATE] and ending on December 31, 2016.

2.29 Readily Tradable means Company Stock traded on a national securities exchange that is registered under Section 6 of the Securities Exchange Act of 1934 or is traded on a foreign national securities exchange that is officially recognized, sanctioned, or supervised by a governmental authority and where the security is deemed by the Securities and Exchange Commission as having a ready market under SEC Rule 15c3-1.

2.30 Spouse means the individual to whom a Participant is married, provided that the Participant's and individual's marriage is entered into under the laws of a domestic or foreign jurisdiction having the legal authority to sanction marriages and the marriage is valid and authorized under the laws of such jurisdiction.

2.31 Suspense Account means the account established and maintained to hold Company Stock acquired with the proceeds of an Exempt Loan and held in the Trust, which Company Stock has not been allocated to the Accounts of Participants with respect to the year of such acquisition.

2.32 Trust or Trust Fund means all property held by the Trustee pursuant to the terms of the Trust Agreement and this Plan. Such property shall be held for the exclusive benefit of Participants and Beneficiaries.

2.33 Trust Agreement means the agreement of Trust established by the Company and the Trustee for purposes of holding title to the assets of the Plan.

2.34 Trustee means the trustee as named in the Trust Agreement, or a successor thereto or substitute therefor, in any case as appointed by the Board of Directors of the Company in accordance with Article XII to hold legal title to the assets of the Trust and that expressly agrees to be bound by the terms and conditions of the Trust Agreement.

2.35 Valuation Date means December 31 unless Company Stock is Readily Tradable, in which case Valuation Date shall mean each day when NASDAQ is open and such other dates as the Administrative Committee may from time to time establish.

2.36 Year of Service means a calendar year during which a Participant is credited with at least 1,000 Hours of Service.

**THE MASCULINE GENDER, WHERE APPEARING IN THE PLAN, SHALL BE DEEMED TO INCLUDE THE FEMININE GENDER, UNLESS THE CONTEXT CLEARLY INDICATES TO THE CONTRARY.**

ARTICLE III  
ELIGIBILITY

3.1 Eligibility Generally. An Employee is eligible to become a Participant in the Plan when the Employee has attained age 21 and completed an Eligibility Computation Period during which the Employee completed 1,000 or more Hours of Service.

Notwithstanding the foregoing, the following individuals shall not be eligible to participate in the Plan:

(a) Leased Employees;

(b) Individuals whose employment with the Company or an Affiliate is governed by a collective bargaining agreement between the Company and representatives of the employee bargaining unit if evidence exists that retirement benefits were a subject of good faith bargaining between the parties, and provided such bargaining agreement does not provide for participation in this Plan;

(c) Non-resident aliens who do not receive earned income from sources within the United States; and

(d) Employees of Tri-State, Ltd., an Affiliate of the Company.

3.2 Commencement of Participation. Each Employee who has satisfied the requirements of Section 3.1 of the Plan shall commence participation in the Plan on the later of the Plan's original Effective Date or the Entry Date concurrent with or next following the date on which such requirements are satisfied.

3.3 Cessation of Participation. An Employee shall cease to be a Participant upon the earliest of (a) the date on which the Employee retires under the Plan; (b) the date on which the Employee's employment with the Company terminates for any reason, including death or Disability; (c) the date on which the Employee's employment with the Company is governed by a collective bargaining agreement that does not provide for participation in this Plan; or (d) the date on which the Employee becomes a Leased Employee.

3.4 Participation upon Reemployment. Subject to the exclusions contained in Section 3.1, upon the reemployment of any person after the Effective Date who had previously been employed by the Company on or after the Effective Date, the following rules shall apply in determining the Employee's participation in the Plan:

(a) No Prior Participation. If the reemployed Employee was not a Participant in the Plan during the prior period of employment and the reemployed Employee incurred a Break in Service, only Hours of Service with the Company after reemployment will count for purposes of satisfying the requirements of Section 3.1 of the Plan. If the reemployed Employee was not a Participant in the Plan during the prior period of employment and the reemployed Employee did not incur a Break in Service, all Hours of Service with the Company (both before and after the Break in Service) will be aggregated for purposes of satisfying the requirements of Section 3.1 of the Plan.

(b) Prior Participation. If the reemployed Employee was a Participant in the Plan during the prior period of employment, the reemployed Employee shall be entitled to resume participation in the Plan on the date of the Employee's reemployment.

3.5 Change in Control. Notwithstanding the provisions of this Article III or any other provisions of the Plan to the contrary, upon a Change in Control, no additional Employee nor reemployed Employee (who was not already a Participant at the time of his reemployment by virtue of having an Account under the Plan attributable to his previous period of employment) shall be eligible to become a Participant in the Plan.



ARTICLE IV  
VESTING

4.1 In General. Each Participant shall have a vested interest in the Participant's Account, if any, in accordance with the following vesting schedule:

<u>Years of Service</u>	<u>Vested Percentage</u>
0-1 Years of Service	0%
1 Year of Service	20%
2 Years of Service	40%
3 Years of Service	60%
4 Years of Service	80%
5 or more Years of Service	100%

4.2 Normal Retirement Date. Notwithstanding the provisions of Section 4.1 of the Plan, a Participant whose employment terminates on or after such Participant's Normal Retirement Date shall be 100 percent vested.

4.3 Death or Disability. Notwithstanding the provisions of Section 4.1 of the Plan, a Participant whose employment is terminated on account of death or Disability shall be 100 percent vested.

4.4 Vesting upon Reemployment. Upon the reemployment of any person after the Effective Date who had previously been employed by the Company on or after the Effective Date, the following rules shall apply in determining the reemployed Employee's vesting in the Plan:

(a) Five Consecutive Breaks in Service. If a Participant has five consecutive Breaks in Service, all Years of Service after such Breaks in Service will be disregarded for the purpose of vesting the Participant's Account balance that accrued before such Breaks in Service. Both pre-Break and post-Break service, however, will count for the purposes of vesting the Participant's Account balance that accrues after such Breaks in Service. The Participant's pre-Break and post-Break Account balances will both share in the earnings and losses of the Trust Fund.

(b) Less than Five Consecutive Breaks in Service. If a Participant does not have five consecutive Breaks in Service, both the pre-Break and post-Break service will count in vesting all Account balances.

#### 4.5 Forfeiture of Account.

(a) Forfeiture of Nonvested Account Balance. If, prior to being 100 percent vested, a Participant terminates employment for a reason other than death, Disability or attainment of Normal Retirement Date, then the nonvested portion of the Participant's Account will be forfeited and allocated as of the end of the Plan Year in which the Participant incurs a five-year Break in Service or, if earlier, the end of the Plan Year in which the Participant receives a distribution, including a deemed distribution under Section 9.3(b) of the Plan, of the vested portion of the Participant's Account. Assets in the Participant's Account other than Company Stock acquired with the proceeds of an Exempt Loan will be forfeited before Company Stock acquired with the proceeds of an Exempt Loan are forfeited. If the nonvested portion of a Participant's Account includes more than one class of Company Stock, then forfeitures of Company Stock will be proportionately made from each such class of stock.

(b) Use and Allocation of Forfeitures. Forfeitures shall be allocated to the Accounts of Participants who were employed by the Company on the last day of the Plan Year (the day that the Plan terminates in the event of a Plan termination) or, in the Company's discretion, used to pay Plan administrative expenses. Forfeitures allocated to Participants shall be allocated in the same manner that Employer contributions are allocated under Section 5.5 of the Plan.

(c) Restoration. If any former Participant's Account has been distributed in accordance with Article IX and the nonvested portion of the Participant's Account has been forfeited in accordance with this Section 4.5, the Participant's nonvested portion of his Account shall be restored if (i) he is reemployed by the Employer before incurring five (5) consecutive Breaks in Service, and (ii) he repays to the Plan within five (5) years of his reemployment, a cash lump sum payment equal to the full amount distributed to him from the Plan on account of his severance from employment. In the event of a deemed distribution for a Participant with a vested Account balance of zero, the undistributed portion of the Participant's account must be restored in full, unadjusted by any gains or losses occurring subsequent to the Valuation Date coinciding with or next following the Participant's termination of employment. The source for reinstatements shall be any forfeitures occurring during the Plan Year. If such source is insufficient, then the Employer shall contribute an amount which is sufficient to restore any such forfeited account; provided, however, that if a discretionary contribution is made for such Plan Year pursuant to Section 5.1, such contribution shall first be applied to restoring such accounts and the remainder shall be allocated in accordance with Section 5.5.

4.6 Change in Control. Notwithstanding the provisions of Section 4.1 of the Plan, a Participant shall be 100 percent vested upon a Change in Control.

ARTICLE V  
CONTRIBUTIONS AND ALLOCATIONS

5.1 Company Contributions. For each Plan Year, the Company may contribute cash or shares of Company Stock, or both, to the Plan in such amounts as may be determined by the Board of Directors.

In the event shares of Company Stock are sold to the Trustee for a Plan Year, the fair market value of such Company Stock shall be determined in accordance with the provisions of Article VIII.

5.2 Time and Manner of Contributions. All Company contributions shall be paid directly to the Trustee, and a contribution for any Plan Year shall be made not later than the date prescribed by law for filing the Company's Federal income tax return (including extensions, if any) for the Company's taxable year that ends within or with that Plan Year.

5.3 Employee Contributions. Participants are neither permitted nor required to make contributions to the Plan.

5.4 Recovery of Contributions. The Company may recover contributions to the Plan, only as set forth in this Section 5.4.

(a) Contributions made to the Plan shall be conditioned upon the initial and continuing qualification of the Plan. If the Plan is determined to be disqualified, contributions made in respect of any period subsequent to the effective date of such disqualification shall be returned to the Company. With respect to the initial qualification of the Plan, the Company may recover contributions only if (i) the Plan receives an adverse determination letter with respect to its initial qualification and (ii) the application for determination letter is filed within the applicable remedial amendment period that applies to new plans (determined in accordance with the concepts of Rev. Proc. 2007-44).

(b) Contributions made to the Plan shall be conditioned upon their deductibility under the Code. To the extent that a deduction is disallowed for any contribution, such amount shall be returned to the Company within one year after the disallowance of the deduction.

(c) If a contribution, or any part thereof, is made on account of a mistake of fact, the amount of the contribution attributable to such mistake shall be returned to the Company within one year after it is made.

5.5 Allocation of Employer Contributions. Subject to the limitations set forth in Article VI and Section 17.3(b), Employer contributions made to the Trust for a Plan Year shall be allocated to the Accounts of Participants who completed 1,000 Hours of Service during the Plan Year and are actively employed on the last day of the Plan Year; provided, however, that if the Plan terminates due to a Change in Control prior to the last day of the Plan Year, Employer contributions made to the Trust for the period from January 1 of such Plan Year, through the date of the Change in Control shall be allocated to the Accounts of Participants who are actively employed on the date of the Change in Control without regard to their respective Hours of Service during such period. Company contributions made pursuant to Section 5.1 shall be allocated to an eligible Participant's Account in the ratio that such Participant's Compensation for the Plan Year bears to the total Compensation of all eligible Participants for the Plan Year.

5.6 Income on Investments. The income, gains, and losses attributable to investments under the Plan shall be allocated as of each Valuation Date or at such other times as the Administrative Committee may determine to the Accounts of Participants and Beneficiaries who have undistributed balances in their Accounts on the Valuation Date, in proportion to the amounts in the Accounts immediately after the preceding Valuation Date, but after first reducing each Account by any distributions, withdrawals or transfers from the Trust during the interim period and increasing each Account by any transfers to the Trust and by contributions made to the Trust during the interim period.

Distributions from the Plan shall include income, gains, and losses accrued as of the coincident or immediately preceding Valuation Date, and shall not be adjusted proportionately to reflect any income, gains, or losses accrued after that Valuation Date. All valuations shall be based on the fair market value of the assets in the Trust on the Valuation Date.

5.7 Certain Stock Transactions. Shares of Company Stock received by the Trustee as a result of a stock split, dividend, conversion, or as a result of a reorganization or other recapitalization of the Company shall be allocated as of the day on which such shares are received by the Trustee in the same manner as the shares of Company Stock to which they are attributable are then allocated.

5.8 Valuation of Trust Fund. As of each Valuation Date, the Trustee shall determine the fair market value of the Trust, after deducting withdrawals, distributions, and any expenses of Plan administration paid out of the Trust, and including any contributions allocated to Participants' Accounts, for the valuation period ending on the Valuation Date. In determining value, the Trustee may use such generally accepted methods as the Trustee, in its discretion, deems advisable, which, in the case of Company Stock shall be in accordance with the provisions of Article VIII.

ARTICLE VI  
LIMITATIONS

6.1 Code Section 415 Limitations

(a) Participation Solely in This Plan. If the Participant does not participate in, and has never participated in another plan qualified under Code Section 401(a) that is maintained by the Employer, or a welfare benefit fund (as defined in Code Section 419(e)) maintained by the Employer, or an individual medical account (as defined in Code Section 415(l)(2)) maintained by the Employer, which provides an Annual Addition, the amount of Annual Additions which may be credited to the Participant's Account for any Limitation Year shall not exceed the lesser of the Maximum Permissible Amount or any other limitation contained in the Plan. If, prior to making the contribution, it is determined that the Company's contribution that would otherwise be contributed or allocated to the Participant's Account would cause the Annual Additions for the Limitation Year to exceed the Maximum Permissible Amount, the amount contributed will be reduced so that the Annual Additions for the Limitation Year will equal the Maximum Permissible Amount.

(b) Participation in Another Defined Contribution Plan. This Section 6.1(b) applies if a Participant is also covered under another defined contribution plan or a welfare benefit fund (as defined in Code Section 419(e)), an individual medical account (as defined in Code Section 415(l)(2)) or a simplified employee pension (as defined in Code Section 408(k)) maintained by the Employer which provides an Annual Addition during any Limitation Year. If the Participant participates in one or more such plans, all reductions in Annual Additions shall be made under such plans and not under this Plan. In the event that, notwithstanding the preceding sentence, the Annual Additions to be credited under this Plan should exceed the Maximum Permissible Amount after the Annual Additions which would otherwise be credited to the Participant's Account under any other such plan are reduced, reductions in this plan shall be reduced in the manner set forth in Section 6.1(a) of the Plan.

(c) Definitions. The following definitions apply solely for purposes of this Section 6.1.

(i) Annual Additions means the sum of the following amounts credited to a Participant's Account for the Limitation Year:

(A) employer contributions

(B) employee contributions

(C) forfeitures

(D) amounts allocated to an individual medical account (as defined in Code Section 415(l)(2)) which is part of a pension or annuity plan maintained by the Employer which are treated as Annual Additions to a defined contribution plan, and

(E) amounts derived from contributions paid or accrued, which are attributable to post-retirement medical benefits, allocated to the separate account of a key employee, as defined in Code Section 419A(d)(3), under a welfare benefit fund maintained by the Employer which are treated as Annual Additions to a defined contribution plan.

For purposes of this Section 6.1(c)(i), the amount of employer contributions credited to a Participant as an Annual Addition for a Limitation Year in which a payment is made with respect to the principal and interest for an Exempt Loan shall include the Participant's proportionate share of the lesser of (i) the amount of Company contributions credited to the Participant's Account for the Limitation Year, or (ii) the fair market value of the shares of Company Stock credited to the Participant's Account resulting from the release of shares on account of such payment.

(ii) Employer means the Company and all members of a controlled group of corporations (as defined in Code Section 414(b) and modified by Code Section 415(h)) all commonly controlled trades or businesses (as defined in Code Section 414(c) as modified by Code Section 415(h)), any affiliated service group (as defined in Code Section 414(m)) of which the Company is a part, and any other entity required to be aggregated with the Employer pursuant to regulations under Code Section 414(o).

(iii) Excess Amount means the excess of the Participant's Annual Additions for the Limitation Year over the Maximum Permissible Amount.

(iv) Limitation Year means the calendar year.

(v) Maximum Permissible Amount means the Maximum Annual Additions that may be contributed or allocated to a Participant's Account for any Limitation Year. Such amount shall not exceed the lesser of:

(A) \$53,000 (as adjusted for increases in the cost-of-living under Code Section 415(d)), or

(B) 100 percent of the Participant's Compensation for the Limitation Year.

The Maximum Permissible Amount shall be pro-rated in the case of any Limitation Year of less than 12 months created by the changing of the Limitation Year.

If no more than one-third of Company contributions to the Plan for a Plan Year which are deductible under Code Section 404(a)(9) are allocated to the Accounts of Participants who are Highly Compensated Employees, there shall be excluded in determining the Maximum Permissible Amount of each Participant for such Plan Year (A) the contributions applied to the payment of interest on an Exempt Loan; and (B) any forfeitures of Company contributions if the forfeited contributions were Company Stock acquired with the proceeds of an Exempt Loan.

6.2 Code Section 409(n) Provisions.

(a) No portion of the assets of the Plan attributable to (or allocable in lieu of) Company Stock acquired by the Plan in a sale to which Code Section 1042 applies may be allocated to the Account of (i) any Qualifying Selling Shareholder during the Nonallocation Period, or (ii) any other person who owns more than 25 percent of (A) any class of outstanding stock of the Company or any of its Affiliates, or (B) the total value of any class of outstanding stock of the Company or any of its Affiliates.

(b) For purposes of this Section 6.2, the following initially capitalized words shall have the following meanings:

(i) "Affiliate" means Affiliate as defined in Section 2.3 of the Plan modified in accordance with Code Section 409(l)(4).

(ii) "Qualifying Selling Shareholder" means any shareholder of Company Stock who makes an election under Code Section 1042(a) with respect to Company Stock, or any individual who is related to (within the meaning of Code Section 267(b)) the shareholder of Company Stock as defined above. The term shall not include any lineal descendant of such shareholder or if the aggregate amount allocated to the benefit of all such lineal descendants during the Nonallocation Period does not exceed more than 5 percent of Company Stock (or amounts allocated in lieu thereof) held by the Plan which are attributable to a sale to the Plan by any person related to such descendants (within the meaning of Code Section 267(c)(4)) in a transaction to which Code Section 1042 applied.

(iii) "Nonallocation Period" means the period beginning on the date of the sale of Company Stock and ending on the later of the date which is 10 years after the date of the sale, or the date of the Plan allocation attributable to the final payment of acquisition indebtedness incurred in connection with such sale.

ARTICLE VII  
INVESTMENT OF TRUST ASSETS

All assets of the Plan shall be held in the Trust. The Trustee shall use the proceeds of the Exempt Loan and all Company contributions, other than cash needed to satisfy the Plan's ongoing liquidity needs, to purchase Company Stock in open market transactions or from other stockholders, or to buy newly issued Company Stock from the Company. If the purchase is from the Company or a Disqualified Person, such purchase shall be for adequate consideration and no commission is to be charged with respect to the purchase. If no Company Stock is available for purchase or the Trustee determines that cash is needed to meet the Plan's liquidity needs, then the Trustee shall invest in other securities or property, real or personal, consistent with the requirements of Title I of ERISA. These other securities, property and cash shall be held by the Trustee in the Trust's investment fund. The investment fund income shall be allocated as of each Valuation Date to Participants' Accounts in accordance with Section 5.6 of the Plan.



ARTICLE VIII  
COMPANY STOCK VALUE

The fair market value of Company Stock shall be determined, on any relevant day, as follows: (a) if such stock is Readily Tradable, then fair market value shall be equal to the closing sale price for the most recent date (including such relevant date) during which a trade in such stock has occurred or (b) if such stock is not Readily Tradable, then fair market value shall be determined by the Trustee based upon a valuation of Company Stock by an independent appraiser who satisfies requirements similar to those contained in regulations issued under Code Section 170(a)(1).

ARTICLE IX  
DISTRIBUTIONS

9.1 Termination of Employment. In the event of the Participant's termination of employment for any reason (including attainment of Normal Retirement Date or on account of death), a Participant shall be entitled to a distribution of all amounts determined under Article IV that are credited to the Participant's Account at the times set forth in this Article IX.

9.2 Death. Upon the death of a Participant, all amounts credited to the Participant's Account shall be distributed to the Participant's Beneficiary, determined in accordance with this Section 9.2.

(a) The Administrative Committee may require such proof of death and such other evidence of the right of any person to receive payment of the Account of a deceased Participant as the Administrative Committee deems necessary. The Administrative Committee's determination of death and of the right of any person to receive payment shall be conclusive and binding on all parties.

(b) The Beneficiary upon the death of a Participant shall be the Participant's Spouse; provided, however, that the Participant may designate, on a form provided by the Administrative Committee for such purpose, a Beneficiary other than the Participant's Spouse, if:

(i) the Spouse has waived the right to be the Participant's Beneficiary in the manner set forth in subsection (c) of this Section 9.2; or

(ii) the Participant has established to the satisfaction of the Administrative Committee that the Participant has no Spouse or that the Spouse cannot be located.

(c) Any consent by a Participant's Spouse to waive a death benefit must be filed with the Administrative Committee in writing, in a manner, and on a form provided by the Committee for such purpose. The Spouse's consent must acknowledge the effect of the consent and must be witnessed by a notary public or a Plan representative. The designation of a Beneficiary other than the Spouse made by a married Participant must be consented to by the Participant's Spouse and may be revoked by the Participant in writing without the consent of the Spouse. Any new beneficiary designation must comply with the requirements of this subsection (c). A former Spouse's waiver shall not be binding on a new Spouse.

(d) In the event the Participant fails to designate a Beneficiary, the designated Beneficiary fails to survive the Participant, or if such designation shall be ineffective for any reason, the Participant's Account shall be paid in the following order of priority: first to the Participant's surviving Spouse, if any; second, if there is no surviving Spouse, to the Participant's surviving descendants, if any, per stirpes; third, if there is neither a surviving Spouse nor any surviving descendants, to the estate of the Participant.

9.3 Time of Payment.

(a) General Rule. Unless a Participant elects otherwise, the distribution of a Participant's Account shall begin as soon as administratively feasible following an event giving rise to a distribution in accordance with the provisions of this Article IX.

(b) Small Distributions. Notwithstanding the foregoing provisions of this Section 9.3, in the event a Participant does not have a vested balance in his or her Account on the date the Participant terminates employment, the Participant's account shall be deemed to have been distributed as a zero dollar deemed distribution as of the date the Participant terminated employment. In the event a Participant has a vested Account balance that exceeds zero but does not exceed \$1,000 at any time after the Participant terminates employment, the entire vested Account of the Participant shall be distributed as soon as administratively feasible.

(c) Distributions to Alternate Payees. A payment to an alternate payee under a qualified domestic relations order, as such term is defined in Code Section 414(p), shall be made as soon as administratively feasible following the determination that such domestic relations order is qualified even if such distribution is prior to the Participant's earliest retirement age (as defined in Code Section 414(p)(4)(B)).

9.4 Manner of Making Payments. A Participant's Account will be distributed in one lump sum.

9.5 Form of Payment. Distribution of a Participant's Account balance shall be made in whole shares of Company Stock and cash to the extent that his Account balance includes any cash or fractional shares at the time of distribution; provided, however, that a Participant may elect to have his entire Account balance distributed in cash. In the event the Participant's Account includes securities acquired with the proceeds of the Exempt Loan and such proceeds consist of more than one class of securities, the amount distributed shall include substantially the same proportion of each class of securities acquired with the proceeds of the Exempt Loan.

The value of shares of Company Stock that are distributed in cash shall be equal to the fair market value of each share multiplied by the number of shares credited to the Participant's Account, with appropriate adjustments to reflect intervening stock dividends, stock splits, stock redemptions, or similar changes to the number of outstanding shares. The fair market value of a share shall be determined as of the Valuation Date coinciding with or immediately preceding the date of the distribution.

9.6 Direct Rollover.

(a) Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Article IX, a distributee may elect, at the time and in the manner prescribed by the Administrative Committee, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

For purposes of this Section 9.6, the following definitions apply:

“Eligible rollover distribution”. An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee’s designated Beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Code Section 401(a)(9); a distribution on account of hardship; or the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).

“Eligible retirement plan”. An eligible retirement plan is an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state, or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan, an individual retirement account described in Code Section 408(a), an individual retirement annuity described in Code Section 408(b), an annuity plan described in Code Section 403(a), an annuity contract described in Code Section 403(b), a qualified plan described in Code Section 401(a), or a Roth IRA described in Code Section 408A, that accepts the distributee’s eligible rollover distribution. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving Spouse, or to a Spouse or former Spouse who is the alternate payee under a qualified domestic relations order, as defined in Code Section 414(p).

“Distributee”. A distributee includes an employee or former employee. In addition, the employee’s or former employee’s surviving Spouse and the employee’s or former employee’s Spouse or former Spouse who is the alternate payee under a qualified domestic relations order, as defined in Code Section 414(p), are distributees with respect to the interest of the Spouse or former Spouse. A distributee also includes the Participant’s non-spouse designated Beneficiary, in which case, the direct rollover may be made only to an individual retirement account or annuity described in Code Sections 408(a) or 408(b) that is established on behalf of the designated Beneficiary and that will be treated as an inherited IRA pursuant to the provisions of Code Section 402(c)(11); provided, however, that the determination of any required minimum distribution that is ineligible for rollover shall be made in accordance with Notice 2007-7, Q&A 17 and 18.

“Direct rollover”. A direct rollover is a payment by the plan to the eligible retirement plan specified by the distributee.

9.7 Diversification Election. Notwithstanding any provision of this Article to the contrary, a Participant who has attained age 55 and completed at least ten years of participation in this Plan may elect in writing, on a form provided by the Administrative Committee for such purpose, within ninety days after the close of each Plan Year during the Qualified Election Period, to direct the investment of a portion of the Participant's interest in the Company Stock Account not in excess of 25 percent of such interest, less amounts subject to all prior elections under this Section 9.7 as a transfer to the applicable NI Holdings, Inc. or Affiliate 401(k) Plan which permits Participants to make investment elections. Upon a Participant's election to diversify a portion of the Participant's interest in the Company Stock Account, Company Stock in an amount equal to the portion so elected, valued as of the Valuation Date concurrent with or immediately preceding the date of such election will be transferred to the applicable NI Holdings, Inc. or Affiliate 401(k) Plan which permits Participants to make investment elections. A participant may then make investment elections among the several funds. Starting from the sixth Plan Year during the Qualified Election Period of a Participant, 50 percent shall be substituted for 25 percent in the preceding sentence.

For purposes of this Section 9.7, "Qualified Election Period" means, with respect to a Participant, the period beginning with the later of (a) the Plan Year in which the Participant attains age 55 or (b) the Plan Year in which the Participant completes at least ten years of participation in the Plan and ending with the year in which the Participant terminates employment for any reason.

9.8 Election to Retain Interests in Plan. No distribution shall be made to a Participant before such Participant's Normal Retirement Date unless (a) the Participant's prior written consent to the distribution has been obtained by the Administrative Committee, (b) the value of the Participant's vested Account does not exceed \$1,000 as of the date of the event giving rise to the distribution, or (c) the Plan receives a determination from the Internal Revenue Service that the Plan is qualified upon termination.

9.9 Mandatory Distributions.

(a) Subject to the provisions of Section 9.3 of the Plan, unless a Participant otherwise elects in writing, payment of benefits under this Plan shall commence not later than one hundred eighty days after the close of the Plan Year in which the latest of the following dates occur:

- (i) the date on which the Participant attains age 65;
- (ii) the 10th anniversary of the date on which the Participant commenced participation in the Plan; or
- (iii) the date the Participant terminates employment with the Company.

(b) notwithstanding any provision of this Plan to the contrary, all amounts credited to a Participant's Account shall commence to be distributed not later than the later of (i) April 1 of the calendar year following the calendar year in which the Participant attains age 70½ or (ii) the date the Participant terminates employment with the Company; except that distributions to a five percent owner (as defined in Code Section 416) must commence by the April 1 of the calendar year following the calendar year in which such Participant attains age 70½. Unless paid quicker pursuant to another provision in the Plan, any and all subsequent distributions shall be made in accordance with the rules set forth in Code Section 401(a)(9) and Treas. Reg. Sections 1.401(a)(9)-2 through 1.401(a)-9, including the minimum distribution incidental death benefit requirements of Code Section 401(a)(9)(G).

(i) In the event the Participant dies before distributions under this Article IX have commenced, then, unless the Beneficiary of the Participant is the Participant's Spouse, the entire balance in the Account of the Participant shall be distributed on or before the December 31 of the calendar year in which occurs the fifth anniversary of the death of such Participant.

(ii) Any amount payable to a child pursuant to the death of a Participant or former Participant shall be treated as if it were payable to the Participant's or former Participant's surviving Spouse if such amount would become payable to the surviving Spouse upon such child reaching majority (or other designated event permitted by regulations).

#### 9.10 Dividends.

(a) Suspense Account. Any cash dividends on Company Stock acquired with the proceeds of an Exempt Loan and held in the Suspense Account shall be applied first to repay the principal and, at the Administrative Committee's discretion, the interest, on the Exempt Loan. After the payment of the principal and the interest of the Exempt Loan, any remaining cash dividends on Company Stock acquired with the proceeds of an Exempt Loan and held in the Suspense Account may, as the Administrative Committee may determine, be used to purchase Company Stock or allocated to Accounts of Participants in accordance with subsection (b) below.

(b) Participant Accounts. At the Administrative Committee's discretion, any cash dividends on shares of Company Stock acquired with the proceeds of the Exempt Loan and allocated to Participant's Accounts may be used to (i) pay the principal and/or the interest of the Exempt Loan subject to the provisions of Section 17.3(b) of the Plan, (ii) be paid currently to Participants (or within ninety days after the end of the Plan Year in which the dividends are paid to the Trust) as cash, (iii) be paid directly to Participant Accounts, or (iv) be distributed or reinvested in Company Stock pursuant to a Participant or Beneficiary election, as described below.

If the Administrative Committee chooses the election method described in (iv) above, then such dividends and any reinvestment thereof shall be fully vested at all times and a Participant or Beneficiary, as applicable, shall be offered an election between (A) the allocation of cash dividends to such Participant's or Beneficiary's Account and distribution to the Participant or Beneficiary of such dividends not later than ninety (90) days after the close of the Plan Year in which the dividends are paid or (B) the allocation of dividends to the Participant's or Beneficiary's Account and reinvestment in Company Stock. A Participant's or Beneficiary's election to receive cash payment of dividends on shares of Company Stock shall be made in the manner and time directed by the Administrative Committee. In the absence of a dividend election made in the manner directed by the Administrative Committee, the Participant or Beneficiary shall be deemed to have elected to have such cash dividends allocated to the Participant's Account and reinvested in Company Stock. A distribution of dividends pursuant to this Section 9.10(b) shall not include any earnings or gains on the dividend amount from the time such dividends are paid to the Plan to the time such dividends are distributed to Participants and Beneficiaries. A distribution of dividends pursuant to this Section 9.10(b) shall be reduced by any investment losses on the dividend amount from the time such dividends are paid to the Plan to the time such dividends are distributed to Participants and Beneficiaries.

9.11 Change in Control. Notwithstanding the provisions of this Article IX or any other provisions of the Plan to the contrary, but subject to the minimum distribution requirements of Plan Section 9.9(b), distributions shall not be made from the Plan upon its termination pursuant to a Change in Control until such time as the Plan has received a determination from the Internal Revenue Service that the Plan is qualified upon termination.

ARTICLE X  
RIGHT AND RESTRICTIONS ON COMPANY STOCK

10.1 Right of First Refusal. In the event that Company Stock is not Readily Tradable at the time of distribution and in the event a Participant, former Participant, or Beneficiary desires to sell to a third person Company Stock received as a distribution from the Plan, such person must first offer the Plan, then the Company, the right to purchase such Company Stock at a price and on such terms not less favorable to the Participant than the greater of (a) the price established by a bona fide offer or (b) the fair market value of the Company Stock using the value determined as of the concurrent or immediately preceding Valuation Date. The right of the Plan and the Company to purchase such stock shall lapse on the 14th day after such written notice is given to the Plan or the Company of the fact that an offer has been received from a third party to purchase the Company Stock and of the price and other terms of such offer.

10.2 Put Requirements.

(a) In the event Company Stock is distributed and is not Readily Tradable at the time of distribution, the Participant, former Participant, or Beneficiary may have an option (the "Put") to require the Company to purchase all of the shares actually distributed to such individual. The Put may be exercised at any time during the Option Period (as defined in subsection (f) below) by giving the Administrative Committee and the Company written notice of the election to exercise the Put. The Put may be exercised by a former Participant or a Beneficiary only during the Option Period with respect to which the former Participant or Beneficiary receives a distribution of Company Stock.

(b) (i) The price paid for Company Stock sold to the Plan or the Company pursuant to the Put shall be the fair market value of each share multiplied by the number of shares to be sold under the Put, with appropriate adjustments to reflect intervening stock dividends, stock splits, stock redemptions, or similar changes to the number of outstanding shares. The fair market value of a share shall be determined (A) as of the Valuation Date concurrent with or immediately preceding the date the Put is exercised, or (B) in the case of a transaction between the Plan and a Disqualified Person, determined as of the date of the transaction.

(ii) If the distribution of Company Stock to a former Participant or Beneficiary constituted a distribution within one taxable year of the balance of the Participant's Account, the Company reserves the right to establish guidelines to be exercised in a uniform and nondiscriminatory manner, to make payment for the shares subject to the Put on an installment basis in substantially equal annual, quarterly or monthly payments over a period not to exceed five years, such period beginning no later than thirty days after exercise of the Put. The Company shall pay reasonable interest at least annually on the unpaid balance of the price and shall provide to the former Participant or Beneficiary adequate security with respect to the unpaid balance. If the distribution was part of an installment distribution, the Company shall pay the Participant in cash within thirty days after exercise of the Put.



(c) The Put shall not be assignable, except that the Participant's or former Participant's legal representative (in the event of a Participant's incapacity) or, the Participant's Beneficiary (in the event of a Participant's or former Participant's death) shall be entitled to exercise the Put during the Option Period for which it is applicable.

(d) The Trustee (on behalf of the Plan) in its discretion, may assume the Company's obligations under this Section at the time a Participant, former Participant, or Beneficiary exercises the Put, with the Company's consent. If the Trustee assumes the Company's obligations, the provisions of this Section that apply to the Company shall also apply to the Trustee.

(e) The Administrative Committee shall notify each Participant, former Participant, and Beneficiary who is eligible to exercise the Put of the fair market value of each share of Company Stock as soon as practicable following its determination. The Administrative Committee shall send all notices required under this Section to the last known address of a Participant, former Participant, or Beneficiary, and it shall be the duty of those persons to inform the Administrative Committee of any changes in address.

(f) For purposes of this Section, the "Option Period" is the period of sixty days following the day on which a Participant, former Participant, or Beneficiary receives a distribution. If such person does not exercise the Put during that sixty-day period, the Option Period shall also be the sixty-day period beginning on the first anniversary of the day on which such person received a distribution. Notwithstanding the preceding sentences, when Company Stock is acquired with the proceeds of an Exempt Loan, the "Option Period" shall be the fifteen (15) month period beginning on the date such Company Stock is distributed to a Participant (or the Participant's Beneficiary). Such 15-month period shall be extended by a period equal to the number of days, if any, during which the Company is precluded from honoring the put option by reason of applicable federal or state law.

10.3 Prohibition on Purchase Arrangements. Except as provided in this Article X, no Company Stock acquired with the proceeds of an Exempt Loan shall be subject to a put, call, or other option, or buy-sell or similar arrangement while held by and when distributed from the Trust, whether or not at the time of distribution the Plan is an employee stock ownership plan.

10.4 Nonterminable Rights. The rights and restrictions of this Article X shall not be terminable.

ARTICLE XI  
VOTING AND TENDER OF COMPANY STOCK

11.1 Voting.

(a) All shares of Company Stock held in the Trust shall be voted by the Trustee.

(b) If the Company Stock is not Readily Tradable, each Participant and Beneficiary shall be entitled to direct the Trustee as to the manner in which Company Stock allocated to the Participant's Account is to be voted on any matter that involves the approval or disapproval of any Company merger or consolidation, recapitalization, reclassification, liquidation, dissolution, sale of substantially all assets, or such similar transaction as may be prescribed in Regulations issued with respect to Code Section 409(e)(3).

(c) If the Company Stock is Readily Tradable, then each Participant and Beneficiary shall be entitled to direct the Trustee as to the manner in which Company Stock allocated to such persons' Accounts is to be voted on any and all matters which may be presented to the shareholders of Company Stock.

(d) With respect to (i) allocated Company Stock as to which no direction is received, (ii) unallocated shares of Company Stock in the Suspense Account and (iii) allocated shares of Company Stock that are not subject to voting right pass through requirement under Code Section 409(e), the Trustee shall vote such shares in the Trustee's discretion. In exercising such discretion, the Trustee shall comply with its fiduciary duties as required by ERISA.

11.2 Tender.

(a) The Trustee shall not sell, alienate, encumber, pledge, transfer or otherwise dispose of any Company Stock; except (i) as specifically provided for in the Plan or a Trust Agreement, or (ii) in the case of a "tender or exchange offer", as set forth in subsection (b) of this Section 11.2.

For purposes of this Article XI, the term "tender or exchange offer" shall mean: (A) any offer for, or request for or invitation for tenders or exchanges of, or offers to purchase or acquire any shares of Company Stock that is directed generally to shareholders of the Company, or (B) any transaction involving Company Stock which may be defined as a "tender offer" under proposed or final rules or regulations promulgated by the Securities and Exchange Commission.

(b) (i) In the event of a tender or exchange offer, each Participant or, if the Participant is not alive, the Participant's Beneficiary, shall have the right to determine confidentially whether to tender or exchange any whole and fractional shares of Company Stock allocated to the Participant's Account and shall be entitled to instruct the Trustee as to the tender of such shares. Upon receipt of such instructions, the Trustee shall act with respect to such Company Stock as instructed. With respect to Company Stock as to which no instruction is received and shares of Company Stock in the Suspense Account, the Trustee shall tender such shares in the Trustee's discretion. In exercising such discretion, the Trustee shall comply with its fiduciary requirements of ERISA.

(ii) All shares of Company Stock held in the Trust Fund and not tendered pursuant to subsection (b)(i) of this Section 11.2, including allocated shares for which no instructions are received, shall continue to be held by the Trustee.

(iii) Any shares of Company Stock not tendered by a Participant or Beneficiary pursuant to subsection (b)(i) of this Section 11.2 shall continue to be held by the Trustee in such Participant's or Beneficiary's Account. The Account of each Participant or Beneficiary tendering shares of Company Stock pursuant to subsection (b)(i) of this Section 11.2 shall be credited with the cash received by the Trustee in exchange for the shares tendered from such Participant's or Beneficiary's Account.

#### 11.3 Fiduciary Responsibilities.

Each Participant shall be a "named fiduciary," within the meaning of ERISA Section 402(a), with respect to the voting and tender of Company Stock pursuant to Sections 11.1 and 11.2 of the Plan.

#### 11.4 Procedures for Voting and Tender.

(a) The Administrative Committee shall establish and maintain procedures by which Participants and Beneficiaries shall be (i) timely notified of their right to direct the voting and tender of Company Stock allocated to their Accounts and the manner in which any such directions are to be conveyed to the Trustee, and (ii) given information relevant to making such decisions. No directions shall be honored by the Trustee unless timely and properly conveyed in accordance with such procedures.

(b) Voting instructions received from Participants and Beneficiaries shall be held in confidence by the Trustee or its delegate for this purpose and shall not be divulged to the Company or to any officer or employee of the Company or to any other person.

ARTICLE XII  
ADMINISTRATION

12.1 Fiduciary Responsibilities. A fiduciary shall have only those specific powers, duties, responsibilities and obligations as are specifically given to such person under the Plan or the Trust. The Company shall have sole responsibility to make the contributions provided for under the Plan and, by action of the Board of Directors, to amend or terminate, in whole or in part, the Plan or the Trust. The Board of Directors shall have sole responsibility to appoint and remove members of the Administrative Committee and the Trustees of the Plan. The Administrative Committee shall have sole responsibility for the general administration of this Plan and for the investment policies of the Plan, for the selection of the Plan's investment funds pursuant to the Plan, and for the appointment and removal of any Investment Manager. Subject to the provisions of the Plan and the Trust Agreement, the Trustee shall have sole responsibility for the administration of the Trust and the management of the assets held in the Trust, as set forth in the Plan and the Trust. It is intended that each fiduciary shall be responsible for the proper exercise of such fiduciary's own powers, duties, responsibilities, and obligations and, except as otherwise provided by law, shall not be responsible for any act or failure to act by another fiduciary. A fiduciary may serve in more than one fiduciary capacity with respect to the Plan. A fiduciary of the Plan who is also an Employee shall not be compensated in such individual's capacity as fiduciary.

12.2 The Administrative Committee. Any member of the Administrative Committee may resign with sixty (60) days advance written notice to the Board of Directors. The Administrative Committee shall select a Chairman and a Secretary to keep records or to assist it in the discharge of its responsibilities. The Administrative Committee shall have such duties and powers as are necessary to discharge its responsibilities under the Plan, including, but not limited to, the following:

- (a) To require any person to furnish such information as it requests for the purpose of the proper administration of the Plan;
- (b) To make and enforce such rules and regulations and prescribe the use of such forms as it deems necessary for the efficient administration of the Plan;
- (c) To construe and interpret the Plan, including the right to determine eligibility for participation, eligibility for payment, the amount of benefits payable, the timing of distributions and all other issues arising under the Plan as well as the right to remedy possible ambiguities, inconsistencies or omissions; provided, however, that all such interpretations and decisions shall be applied in a uniform manner to all similarly situated Participants and Beneficiaries;
- (d) To employ and rely upon such advisors (including attorneys, independent public accountants, investment advisors and enrolled actuaries) as it deems appropriate or helpful in connection with the operation and administration of the Plan;
- (e) To maintain complete records of the administration of the Plan;

(f) To prepare and file with the appropriate governmental agencies such reports as required from time to time with respect to the Plan under ERISA, the Code, or other laws and regulations governing the administration of the Plan;

(g) To furnish or disclose to Participants, Employees who may become Participants, and Beneficiaries information about the Plan and statements of accrued benefits under the Plan, in accordance with ERISA, the Code, or other laws and regulations governing the administration of the Plan;

(h) To delegate to one or more members of the Administrative Committee, or to persons other than Administrative Committee members, any authority, duty or responsibility pertaining to the administration or operation of the Plan; provided, however, that each such delegation shall be made by a written instrument authorized by the Administrative Committee and maintained with the records of the Plan. If any person other than an Employee is so designated, such person must acknowledge, in writing, acceptance of the duties and responsibilities delegated. All such instruments and acknowledgments shall be considered a part of the Plan;

(i) To determine, pursuant to procedures adopted by it, whether a state domestic relations order served upon the Plan is a "qualified domestic relations order" (as defined in Code Section 414(p)); to place in escrow any benefits payable in the period during which the Administrative Committee determines the status of an order; and to take any necessary action to administer distributions under the terms of a "qualified domestic relations order";

(j) To discharge any responsibilities which are allocated to the Administrative Committee elsewhere in this Plan.

All decisions and interpretations of the Administrative Committee shall be binding and shall be entitled to the maximum deference permitted under the law.

12.3 Plan Expenses. All expenses authorized and incurred by the Administrative Committee shall be paid from the assets of the Plan, except to the extent such expenses are paid by the Company.

12.4 Meetings and Voting. The Administrative Committee shall act by a majority vote of its respective members at a meeting or, by written consent of a majority of its members, without a meeting. The Administrative Committee shall hold meetings, as deemed necessary by them, although any member may call a special meeting of the committee by giving reasonable notice to the other members. The Secretary of the Administrative Committee shall have authority to give certified notice in writing of any action taken by the committee.

12.5 Compensation. The members of the Administrative Committee, if Employees, shall serve without compensation.

## 12.6 Claims Procedures.

(a) Any Participant or Beneficiary (“Claimant”) may file a written claim for a benefit under the Plan with the Administrative Committee or with a person named by the Administrative Committee to receive such claims;

(b) In the event of a denial or limitation of any benefit or payment due or requested by any Claimant, such Claimant shall be given a written notification containing specific reasons for the denial or limitation of the benefit. The written notification shall contain specific reference to the pertinent Plan provisions on which the denial or limitation is based. In addition, it shall contain a description of any additional material or information necessary for the Claimant to perfect a claim and an explanation of why such material or information is necessary. Further, the notification shall provide appropriate information as to the steps to be taken if the Claimant wishes to submit such claim for review. This written notification shall be given to a Claimant within ninety days after receipt of the claim by the Administrative Committee (or its delegatee to receive such claims), unless special circumstances require an extension of time for processing the claim. If such an extension of time is required, written notice of the extension shall be furnished to the Claimant prior to the termination of the ninety-day period and such notice shall indicate the special circumstances which make the postponement appropriate;

(c) In the event of a denial or limitation of benefits, the Claimant or the Claimant’s duly authorized representative shall be permitted to review pertinent documents and to submit issues and comments in writing to the Administrative Committee. In addition, the Claimant or the Claimant’s duly authorized representative may make a written request for a full and fair review of the claim and its denial by the Administrative Committee; provided, however, that such written request must be received by the Administrative Committee (or its delegatee to receive such requests) within sixty days after receipt by the Claimant of written notification of the denial or limitation. The sixty-day requirement may be waived by the Administrative Committee in appropriate cases; and

(d) (i) A decision shall be rendered by the Administrative Committee within sixty days after the receipt of the request for review; provided, however, that where special circumstances require an extension of time for processing the decision, it may be postponed, on written notice to the Claimant (prior to the expiration of the initial sixty-day period) for an additional sixty days, but in no event shall the decision be rendered more than one hundred and twenty days after the receipt of such request for review.

(ii) Notwithstanding subsection (d)(i) of this Section 12.6, if the Administrative Committee holds regularly scheduled meetings at least quarterly to review such appeals, a Claimant’s request for review shall be acted upon at the meeting immediately following the receipt of the Claimant’s request unless such request is filed within thirty days preceding such meeting. In such instance, the decision shall be made no later than the date of the second meeting following the receipt of such request by the Administrative Committee (or its delegatee to receive such requests). If special circumstances require a further extension of time for processing a request, a decision shall be rendered not later than the third meeting of the Administrative Committee following the receipt of such request for review, and written notice of the extension shall be furnished to the Claimant prior to the commencement of the extension.

(iii) Any decision by the Administrative Committee shall be furnished to the Claimant in writing and in a manner calculated to be understood by the Claimant and shall set forth the specific reason(s) for the decision and the specific Plan provision(s) on which the decision is based.

(e) If a Claimant files a claim for benefits that the Administrative Committee denies, in whole or in part, then the Claimant may file suit in federal court with respect to the Claimant's claim for benefits after the Claimant has exhausted the Plan's administrative procedures of this Section 12.6. The Claimant must file such suit within three years after the date on which the Administrative Committee issues written notice denying, in whole or in part, the Claimant's initial claim for benefits under Section 12.6(b).

12.7 Liabilities. The Administrative Committee, each member or former member of such Committee, and each person to whom duties and responsibilities have been delegated under the Plan shall be indemnified and held harmless by the Company, to the fullest extent permitted by ERISA, other applicable laws, and the charter and By-laws of the Company.

ARTICLE XIII  
AMENDMENTS

13.1 Right to Amend. Except as otherwise set forth in this Article XIII or as may be required by law, the Board of Directors reserves the right to amend the Plan at any time and in any manner, without prior notification, consultation, or bargaining with any Employee or representative of Employees by written resolution of the Board of Directors adopted at a duly convened meeting of the Board of Directors in accordance with the By-Laws of the Company and the laws of the State of North Dakota. To the extent required by the Code or ERISA, no amendment to the Plan shall decrease a Participant's benefit or eliminate an optional form of distribution. No amendment shall make it possible for any assets of the Plan to be used for or diverted to any purposes other than for the exclusive benefit of Participants and Beneficiaries.

13.2 Amendment by Administrative Committee. The Administrative Committee may adopt any ministerial and nonsubstantive amendment it deems necessary or appropriate to (a) facilitate the administration, management and interpretation of the Plan, (b) conform the Plan to current practice, or (c) cause the Plan and its related Trust to qualify under Code Sections 401(a)(1), 501(a) and 4975(e)(7) or to comply with ERISA or any other applicable laws; provided that such amendment does not have any material effect on the estimated cost to the Company of maintaining the Plan.

13.3 Plan Merger and Asset Transfers. No assets of the Trust shall be merged or consolidated with, nor shall any assets or liabilities be transferred to any other plan, unless the benefits payable to each Participant or Beneficiary, if this Plan were terminated immediately after such action, would be equal to or greater than the benefits such individuals would have been entitled to receive if this Plan had been terminated immediately before such action.

13.4 Amendment of Vesting Schedule. Notwithstanding anything to the contrary, no amendment to the Plan shall have the effect of decreasing a Participant's nonforfeitable percentage determined without regard to such amendment as of the later of the date such amendment is adopted or the date it becomes effective. If the Plan's vesting schedule is amended, or the Plan is amended in any way that directly or indirectly affects the computation of a Participant's nonforfeitable percentage, each Participant with at least 3 Years of Service may elect, within a reasonable period after the adoption of the amendment, to have the nonforfeitable percentage computed under the Plan without regard to such amendment. The Participant's election may be made at any time during the period ending on the latest of:

- (a) 60 days after the amendment is adopted;
- (b) 60 days after the amendment becomes effective; or
- (c) 60 days after the Participant is issued written notice of the amendment by the Company or the Administrative Committee.



ARTICLE XIV  
TERMINATION

14.1 Right to Terminate. While the Company intends the Plan to be permanent, the Board of Directors reserves the right to terminate the Plan at any time, without prior notification, consultation, or bargaining with any Employee or representative of Employees by written resolution of the Board of Directors adopted at a duly convened meeting of the Board of Directors in accordance with the By-laws of the Company and the laws of the State of North Dakota.

14.2 Effect of Termination. If the Plan is terminated, contributions shall cease, and the assets remaining in the Trust, after payment of any expenses, including expenses of administration or liquidation, shall be retained in the Trust for distribution in accordance with the terms of the Plan. Upon termination (including a partial termination), or upon the complete discontinuance of contributions by the Company, all Participants shall be 100 percent vested in their Accounts. Subject to the minimum distribution requirements of Section 9.9(b), distributions shall not be made from the Plan upon its termination until such time as the Plan has received a determination from the Internal Revenue Service that the Plan is qualified upon termination.

14.3 Change in Control. Notwithstanding the provisions of this Article XIV or any other provisions of the Plan to the contrary, the Plan will terminate, upon a Change in Control.

ARTICLE XV  
MISCELLANEOUS

15.1 Non-alienation of Benefits. Except as provided in Code Section 401(a)(13) (relating to qualified domestic relations orders), Code Section 401(a)(13)(C) and (D) (relating to offsets ordered or required under a criminal conviction involving the Plan, a civil judgment in connection with a violation or alleged violation of fiduciary responsibilities under ERISA, or a settlement agreement between the Participant and the Department of Labor in connection with a violation or alleged violation of fiduciary responsibilities under ERISA), Section 1.401(a)-13(b)(2) of Treasury regulations (relating to Federal tax levies and judgments), or as otherwise required by law, no benefit under the Plan at any time shall be subject in any manner to anticipation, alienation, assignment (either at law or in equity), encumbrance, garnishment, levy, execution, or other legal or equitable process; and no person shall have power in any manner to anticipate, transfer, assign (either at law or in equity), alienate or subject to attachment, garnishment, levy, execution, or other legal or equitable process, or in any way encumber the Participant's benefits under the Plan, or any part thereof, and any attempt to do so shall be void.

15.2 Appointment of Guardian. Where it is established to the satisfaction of the Administrative Committee that a guardian has been duly appointed on behalf of a person entitled to a distribution under the Plan, the Administrative Committee may cause payment to be made to the guardian for the benefit of the entitled person. The Administrative Committee shall have no responsibility with respect to the application of amounts so paid.

15.3 Satisfaction of Benefit Claims. The assets of the Trust shall be the sole source of benefits under this Plan, and each Participant or any other person who shall claim the right to any payment or benefit under this Plan shall be entitled to look only to the Trust for such payment or benefit, and shall not have any right, claim or demand against the Company or any officer or director of the Company. Such Participant or person shall not have a right to or interest in any assets of the Trust, except as provided from time to time under this Plan.

15.4 Controlling Law. The provisions of the Plan shall be construed, administered and enforced under the laws of the United States and the State of North Dakota.

15.5 Non-guarantee of Employment. Nothing contained in this Plan shall be construed as a contract of employment between the Company and any Employee, or as a right of any Employee to be continued in the employment of the Company or as a limitation of the right of the Company to discharge any of its Employees, with or without cause.

15.6 Severability and Construction of the Plan.

(a) If any provision of the Plan or the application of it to any circumstance(s) or person(s) is invalid, the remainder of the Plan and the application of such provision to other circumstances or persons shall not be affected thereby.

(b) Unless the context otherwise indicates, the masculine wherever used shall include the feminine and neuter; the singular shall include the plural; and words such as "herein", "hereof," "hereby," "hereunder" and words of similar import shall refer to the Plan as a whole and not any particular part of it.

15.7 No Requirement of Profits. Contributions may be made to the Plan without regard to current or accumulated profits of the Company.

15.8 All Risk on Participants and Beneficiaries. Each Participant and Beneficiary shall assume all risk in connection with any decrease in the value of the assets of the Trust and the Participants' and Beneficiaries' Accounts.

15.9 Recoupment of Overpayments. The Plan shall be entitled to recoup overpaid or erroneously paid benefits from the Plan, in any reasonable manner, including, but not limited to, (i) repayment by a Participant or Beneficiary, in a lump sum, installments, or other method approved by the Administrative Committee, or (ii) reduction of future benefit payments until all overpaid or erroneously paid amounts are fully recovered. The Plan may impose interest on previously overpaid or erroneously paid amount in determining the amount to be repaid or the amount by which future benefit payments are to be reduced. The provisions of this Section 15.9 shall be applied in a nondiscriminatory and consistent manner without regard to a Participant's employment status with the Company.

15.10 Military Service. Notwithstanding any other provision of the Plan to the contrary, contributions, benefits, and service credit with respect to qualified military service shall be provided in accordance with Code Sections 414(u) and 401(a)(37), including, but not limited to, the following:

(a) If a Participant dies while performing qualified military service, the Participant's Beneficiary shall be entitled to additional benefits (other than contributions relating to the period of qualified military service), if any, that would be provided under the Plan had the Participant resumed employment with the Company the day before death and then terminated such employment on account of death.

(b) Differential wage payments, as defined in Code Section 414(u)(12), if any, shall be included in a Participant's Compensation.

ARTICLE XVI  
TOP-HEAVY PROVISIONS

16.1 Determination of Top-Heavy Status.

(a) Any provision of this Plan to the contrary notwithstanding, for any Plan Year in which the Plan is a Top-Heavy Plan, the provisions of this Article shall apply. The provisions of this Article shall have effect only to the extent required under Code Section 416. This Plan shall be deemed a Top-Heavy Plan only with respect to any Plan Year in which, as of the Determination Date, the Top-Heavy Ratio exceeds 60 percent.

(b) If the Plan is not included in a Required Aggregation Group with other plans, then it shall be Top-Heavy only if (i) when considered by itself it is a Top-Heavy Plan and (ii) it is not included in a Permissive Aggregation Group that is not a Top-Heavy Group.

(c) If the Plan is included in a Required Aggregation Group with other plans, it shall be Top-Heavy only if the Required Aggregation Group, including any permissively aggregated plans, is Top-Heavy.

16.2 Top-Heavy Definitions. Solely for purposes of this Article, the following words and phrases shall have the following meaning;

(a) "Aggregation Group or Top Heavy Group" means either a Required Aggregation Group or a Permissive Aggregation Group.

(b) "Determination Date" means, with respect to any Plan Year, the last day of the preceding Plan Year or in the case of the first Plan Year of any plan, the last day of such Plan Year or such other date as permitted under rules issued by the U.S. Department of the Treasury.

(c) "The Company" means the Company and all members of a controlled group of corporations (as defined in Code Section 414(b) as modified by Code Section 415(h)), all commonly controlled trades or businesses (as defined in Code Section 414(c) as modified by Code Section 415(h)), or affiliated service groups (as defined in Code Section 414(m)) of which the Company is a part.

(d) "Key Employee" means any employee or former employee (including any deceased employee) who at any time during the Plan Year that includes the Determination Date was an officer of the Company having annual Compensation greater than \$130,000 (as adjusted under Code Section 416(i)(1)), a five percent owner of the Company, or a one percent owner of the Company having annual Compensation of more than \$170,000, as adjusted by the Internal Revenue Service at the same time and in the same manner as under Code Section 415(d). The determination of who is a Key Employee will be made in accordance with Code Section 416(i)(1) and the applicable regulations and other guidance of general applicability issued thereunder. Compensation for purposes of this Section 16.2 is Compensation as defined in Section 2.11 of the Plan plus any Compensation paid by an Affiliate.

(e) “Non-Key Employee” means any Employee who is not a Key Employee.

(f) “Permissive Aggregation Group” means a Required Aggregation Group plus any other plans maintained and selected by the Company; provided that all such plans when considered together satisfy the requirements of Code Sections 401(a)(4) and 410.

(g) “Required Aggregation Group” means each qualified plan of the Company in which at least one Key Employee participates or which enables any plan in which a Key Employee participates to meet the requirements of Code Sections 401(a)(4) or 410.

(h) “Top-Heavy Ratio” means:

(i) If the Company maintains one or more defined contribution plans (including any Simplified Employee Pension Plan) and the Company has not maintained any defined benefit plan which during the 5-year period ending on the Determination Date(s) has or has had accrued benefits, the Top-Heavy Ratio is a fraction, the numerator of which is the sum of the Account balances of all Key Employees as of the Determination Date(s) (including any part of any Account balance distributed in the 1-year period (5-year period in the case of a distribution made for a reason other than severance from employment, death or Disability) ending on the Determination Date(s)), and the denominator of which is the sum of all Account balances (including any part of any Account balance distributed in the 1-year period (5-year period in the case of a distribution made for a reason other than severance from employment, death or Disability) ending on the Determination Date(s)), both computed in accordance with Code Section 416 and the regulations thereunder. Both the numerator and denominator of the Top-Heavy Ratio are increased to reflect any contribution not actually made as of the Determination Date, but which is required to be taken into account on that date under Code Section 416 and the regulations thereunder.

(ii) If the Company maintains or has maintained one or more defined benefit plans which during the 5-year period ending on the Determination Date(s) has or has had any accrued benefits, the Top-Heavy Ratio for any required or permissive aggregation group as appropriate is a fraction, the numerator of which is the sum of Account Balances under the aggregated defined contribution plan or plans for all Key Employees, determined in accordance with (i) above, and the present value of accrued benefits under the aggregated defined benefit plan or plans for all Key Employees as of the Determination Date(s), and the denominator of which is the sum of the Account balances under the aggregated defined contribution plan or plans for all Participants, determined in accordance with (i) above, and the present value of accrued benefits under the defined benefit plan or plans for all Participants as of the Determination Date(s), all determined in accordance with Code Section 416 and the regulations thereunder. The accrued benefits under a defined benefit plan in both the numerator and denominator of the Top-Heavy Ratio are increased for any distribution of an accrued benefit made in the 1-year period (5-year period in the case of a distribution made for a reason other than severance from employment, death or disability) ending on the Determination Date.

(iii) For purposes of (i) and (ii) above the value of Account balances and the present value of accrued benefits will be determined as of the most recent Valuation Date that falls within or ends with the 12-month period ending on the Determination Date, except as provided in Code Section 416 and the regulations thereunder for the first and second plan years of a defined benefit plan. The Account balances and accrued benefits of a Participant (1) who is not a Key Employee but who was a Key Employee in a prior year, or (2) who has not been credited with at least one hour of service with any Employer maintaining the plan at any time during the 1-year period ending on the Determination Date will be disregarded. The calculation of the Top-Heavy Ratio, and the extent to which distributions, rollovers, and transfers are taken into account will be made in accordance with Code Section 416 and the regulations thereunder. Deductible employee contributions will not be taken into account for purposes of computing the Top-Heavy Ratio. When aggregating plans the value of Account balances and accrued benefits will be calculated with reference to the Determination Dates that fall within the same calendar year.

The accrued benefit of a Participant other than a Key Employee shall be determined under (1) the method, if any, that uniformly applies for accrual purposes under all defined benefit plans maintained by the Company, or (2) if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional rule of Code Section 411(b)(1)(C).

(i) "Valuation Date" means, for purposes of determining if the Plan is Top-Heavy, the most recent Valuation Date in the period of twelve months ending on the Determination Date.

16.3 Top-Heavy Rules. For any year in which a Plan is determined to be a Top-Heavy Plan the following rules shall apply:

(a) For each Plan Year in which the Plan is Top-Heavy, minimum contributions for a Participant who is a Non-Key Employee shall be required to be made on behalf of each Participant who is employed by the Company on the last day of the Plan Year. The amount of the minimum contribution shall be the lesser of the following percentage of compensation:

(i) three percent, or

(ii) the highest percentage at which Contributions are made under the Plan for the Plan Year on behalf of any Key Employee.

(A) For purposes of this paragraph (ii), all defined contribution plans included in a Required Aggregation Group shall be treated as one plan.

(B) This paragraph (ii) shall not apply if the Plan is included in a Required Aggregation Group and the Plan enables a defined benefit plan included in the Required Aggregation Group to meet the requirements of Code Sections 401(a)(4) or 410.

(C) If the highest percentage at which Contributions are made under the Plan for a top-heavy Plan Year on behalf of Key Employees is less than three percent, the amounts contributed as a result of a salary reduction agreement must be included in determining Contributions made on behalf of Key Employees.

Any contributions that must be made under this subsection (a) shall be made under the applicable NI Holdings, Inc. or Affiliate 401(k) Plan.

(b) The vesting schedule when the Plan is Top-Heavy is as follows:

<u>Years of Service</u>	<u>Vested Percentage</u>
0-1 Years of Service	0%
1 Year of Service	20%
2 Years of Service	40%
3 Years of Service	60%
4 Years of Service	80%
5 or more Years of Service	100%

ARTICLE XVII  
EXEMPT LOANS

17.1 General. The Trustee shall have the authority and discretion to borrow money from a Disqualified Person, or another source which is guaranteed by a Disqualified Person for the purpose of (a) purchasing Company Stock, or (b) repaying a prior Exempt Loan. Any Exempt Loan shall satisfy all of the requirements of this Article XVII.

17.2 Terms of Exempt Loan Agreements. All Exempt Loans shall satisfy the following requirements:

- (a) The loan shall be primarily for the benefit of Participants and their Beneficiaries;
- (b) The loan shall be for a specified term and shall bear no more than a reasonable rate of interest.
- (c) The proceeds of the loan shall be used only to repay such loan or a prior loan, or to acquire Company Stock.
- (d) The collateral pledged by the Trustee shall consist only of the Company Stock purchased with the borrowed funds, or Company Stock that was pledged as collateral in connection with a prior Exempt Loan that was repaid with the proceeds of the current Exempt Loan.
- (e) Under the terms of the agreement, the lender shall have no recourse against the Trust, or any of its assets, except with respect to the collateral and contributions (other than contributions of Company Stock) by the Company that are made to satisfy its obligations under the loan agreement and earnings attributable to such collateral and such contributions.
- (f) The payments made on the loan during a Plan Year shall not exceed an amount equal to the sum of such contributions and the earnings received during or prior to the year less such payments on the exempt loan in prior years.
- (g) In the event of default, the value of the assets transferred in satisfaction of the loan shall not exceed the amount of default; moreover, if the lender is a Disqualified Person, the loan agreement shall provide for a transfer of assets upon default only upon and to the extent of the failure of the Plan to meet the payment schedule of the loan.

17.3 Suspense Account.

(a) Company contributions made to the Trust in the form of Company Stock purchased with the proceeds of an Exempt Loan shall be held in the Suspense Account as the collateral for that Exempt Loan. Such stock shall be released from the Suspense Account on a pro-rata basis according to the amount of the payment on the Exempt Loan for the Plan Year, determined under one of the following two alternative formulas in the discretion of the Administrative Committee:



(i) for each Plan Year during the duration of the Exempt Loan, the number of shares of Company Stock released shall equal the number of such shares held in the Suspense Account immediately before release for the current Plan Year multiplied by a fraction, the numerator of which is the amount of principal and interest paid for the year and the denominator of which is the sum of the numerator plus the remaining principal and interest to be paid for all future years. The number of future years under the Exempt Loan must be definitely ascertainable and must be determined without taking into account any possible extensions or renewal periods. If the interest rate under the loan is variable, the interest to be paid in future years must be computed by using the interest rate applicable as of the end of the Plan Year. If the collateral includes more than one class of Company Stock, the number of shares of each class to be released for a Plan Year must be determined by applying the same fraction to each class; or

(ii) for each Plan Year during the duration of the Exempt Loan, the number of shares of Company Stock released is determined solely with reference to the principal payment of the Exempt Loan. If Company Stock in the Suspense Account is released in accordance with this subsection (ii), (A) the Exempt Loan must provide for annual payments of principal and interest at a cumulative rate that is not less rapid at any time than level annual payments of such amounts for 10 years; and (B) interest included in any payment is disregarded only to the extent that it would be determined to be interest under standard loan amortization tables.

This subsection (ii) will not be applicable if by reason of a renewal, extension, or refinancing, the sum of the expired duration of the Exempt Loan, the renewal period, the extension period, and the duration of a new Exempt Loan exceeds 10 years.

(b) Shares of Company Stock released in accordance with Section 17.3(a) of the Plan shall first be allocated to the Accounts of Participants in an amount equal in value to any dividends paid on shares previously allocated to Participant's Accounts that are used to repay the Exempt Loan. The remaining shares of Company Stock shall then be allocated to the Accounts of Participants in the same manner as described in Section 5.5.

IN WITNESS WHEREOF, NI Holdings, Inc. has caused this Plan to be duly executed under seal this \_\_\_\_ day of \_\_\_\_\_, 2016.

NI HOLDINGS, INC.

By: \_\_\_\_\_

Name:

Title:

**AFFILIATION AGREEMENT**

WHEREAS Battle Creek Mutual Insurance Company (“BCMI”) and Nodak Mutual Insurance Company (“NMI”) believe an affiliation between the two companies, pursuant to the terms of this Agreement, are in the best interests of the policyholders of both companies;

IT IS THEREFORE AGREED as follows:

SECTION 1

DEFINITIONS

Contract Date - December 30, 2010.

Effective Date - the later of April 1, 2011, or the date of approval of the Form A by the Nebraska Department of Insurance.

Transaction Documents – Affiliation Agreement, 100% Quota Share Reinsurance Agreements, Amended Shared Operations Agreement, Surplus Note and Amended and Substituted Articles of Incorporation and By-Laws of BCMI.

SECTION 2

TRANSACTION DOCUMENTS

2.1. Reinsurance Agreement. That NMI and BCMI will enter into a 100% Quota Share Reinsurance Agreement, a copy of which is attached hereto as Exhibit “A” and incorporated herein, whereby BCMI cedes 100% of its net premium income and associated losses and expenses to NMI and NMI agrees to accept such cession, effective April 1, 2011.

2.2. Employee Leasing Agreement. That NMI and BCMI will enter into an Employee Leasing Agreement, a copy of which is attached hereto and incorporated herein as Exhibit “B,” effective on January 1, 2011.

2.3. Surplus Note. That BCMI has heretofore issued a Surplus Note in the amount of \$3,000,000 and dated December \_\_\_\_\_, 2010, which note NMI has purchased. A copy is attached hereto as Exhibit “C” and incorporated herein.

2.4. Articles of Incorporation. That BCMI will adopt Amended and Substituted Articles of Incorporation and By-Laws, copies of which are attached hereto respectively designated as Exhibits "D" and "E", which will, among other things, contain provisions that (i) entitle NMI to nominate two-thirds ( $\frac{2}{3}$ ) of the Board of Directors on and after the Effective Date, so long as either the Surplus Note or the Quota Share Agreement remain in effect; (ii) change BCMI to a non-assessable mutual; and (iii) such other provisions as to which the parties mutually agree.

2.5. Lease Agreements. The Zimmerman Insurance Agency, Inc. and BCMI will enter into two leases, each effective January 1, 2011. One lease will be that a portion of the premises at 603 South Preece Street, Battle Creek, Nebraska, will be used for an insurance agency and the second lease will cover certain office equipment, described in the lease and used in the operation of the business.

### SECTION 3

#### OTHER AGREEMENTS

3.1. Approval and Resignations. BCMI agrees that to implement the approval of the Transaction Documents by the following actions:

a. At the 2011 annual meeting of the members of BCMI, it will cause all of its proxies to be voted in favor of the Transaction Documents and in favor of the slate of nominees for election to the Board; and

b. It will cause the members of the Board of Directors and the Officers of BCMI to tender their resignations effective upon the effective date of this Agreement.

3.2. By-Laws. Prior to, on or after the Effective Date, the Board of Directors of BCMI will adopt new By-Laws which, to the extent permitted by Nebraska law, will follow the content of NMI's By-Laws. The new By-Laws shall be substantially in the form as those attached hereto as Exhibit "E" and shall become operative on the Effective Date.

3.3. BCMI Status. From and after the Effective Date, and subject to the terms of this Agreement, BCMI will continue to operate as a separate corporate entity domiciled in the state of Nebraska. NMI will provide assistance to BCMI in conducting its insurance business with the goal of increasing its profitability and reducing its expenses. At the discretion of the Board of Directors of BCMI, the principal office of BCMI shall remain in Battle Creek, Nebraska, and BCMI will continue to market itself under its current trade names, if any, subject to any regulatory approvals.

SECTION 4

REPRESENTATIONS & WARRANTIES OF BCMI

4.1. Representations and Warranties of BCMI. BCMI represents and warrants to NMI as of the Contract Date as follows:

a. Corporate Existence and Power. (i) BCMI has been duly organized, is validly existing and is in good standing under the laws of the State of Nebraska. BCMI has all corporate powers required to carry on its business as now conducted, has all material government licenses, authorizations, permits, consents and approvals required to carry on its business as now conducted, and is not in violation of any of the provisions of its Articles of Incorporation, By-Laws or other organizational documents. BCMI has previously delivered to NMI true and complete copies of each of its Articles of Incorporation and By-Laws in effect on the Contract Date.

b. Corporate Authorization. The execution, delivery and performance by BCMI of this Agreement and each of the other Transaction Documents is within BCMI's power and has been, or will be prior to the Effective Date, duly authorized by all necessary corporate action. Each of the Transaction Documents constitutes a valid and legally binding agreement, enforceable against BCMI in accordance with its respective terms, subject to (i) bankruptcy, insolvency, reorganization, moratorium, and other similar laws now or hereafter in effect relating to or affecting creditors' rights generally and (ii) general principles of equity.

c. Governmental Authorization. The execution, delivery, and performance by BCMI of this Agreement and each of the other Transaction Documents requires no action by or in respect of, or filing with, any governmental body, agency or official, except: (i) approvals, filings and/or notices to the Insurance Department of the State of Nebraska; (ii) filings and notices not required to be made or given until after the closing date (the "Closing") of the transactions contemplated herein; (iii) filings, at any time, of tax returns, tax reports, and tax information statements; and (iv) any such action or filing as to which the failure to make or obtain would not, individually or in the aggregate, materially impair the ability of BCMI to conduct its business or consummate the transactions contemplated herein (the "Transactions").

d. Financial Statements.

(1) BCMI has previously made available to NMI true and complete copies of its (a) Annual Statements for the year ended 2009, and (b) Quarterly Statement as of and for the calendar quarter ended September 30, 2010.

(2) To the best knowledge of BCMI, since December 2004, BCMI has filed all financial statements required to be filed with or submitted to the appropriate regulatory authorities. Each such statement complied with all applicable laws when so filed. Each such statement was prepared in accordance with the statutory accounting principles in effect when so filed and presents fairly BCMI's financial position as of the date thereof and the related summaries of operations and changes in capital and surplus and cash flows of such entity for the respective periods covered thereby.

e. Reserves. BCMI's aggregate reserves, after taking any applicable reinsurance agreements into account and deeming them to be in effect as of the relevant dates of periods, as established or reflected in each of the December 31, 2009, and September 30, 2010, Quarterly Statement (i) were computed in accordance with presently accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles; (ii) meet all requirements of applicable law and meet or exceed the minimum aggregate amounts required by applicable Nebraska law; and (iii) make reasonable provision for all unpaid loss and loss expense obligations under the terms of the insurance contracts issued by BCMI.

f. Absence of Certain Changes. Other than those actions contemplated by this Agreement and/or the Transaction Documents, BCMI business from the date of the September 30, 2010, Quarterly Statement to the Contract Date has been conducted in the ordinary course consistent with past practices (including, without limitation, with regard to underwriting, pricing, actuarial, and investment policies generally) and there has not been any (i) material transaction, commitment, contract, or agreement entered into by BCMI, other than in the ordinary course of business consistent with past practices, or any acquisition of assets or incurrence of liabilities that is not primarily related to the property and casualty insurance of BCMI; (ii) material change in any method of accounting or accounting practice or policy (including, without limitation, any reserving method, practice or policy), except for any such change resulting from a concurrent change in officially promulgated Standard Actuarial Principles of Statutory Accounting Principles in the United States, as the case may be; (iii) employment, deferred compensation, severance, retirement, or other similar agreement entered into with any director, officer or employee (or any amendment to any such existing agreement) or any grant of any severance or termination pay to any director, officer or employee other than in the ordinary course of business or any change in compensation or other benefits payable to any director, officer or employee other than in the ordinary course of business or loans or advances to any director, officer or employee, except for travel, business and relocation expenses in the ordinary course of business consistent with past practice; (iv) material change in marketing or underwriting practices or standards; and (v) material change in the compensation structure of, or benefits available to, agents generally.

g. No Undisclosed Material Liabilities. Other than liabilities or obligations provided for or reserved against in BCMI's September 30, 2010, Quarterly Statement, liabilities incurred since such date in the ordinary course of business consistent with past practice or liabilities to which BCMI's reinsurance agreements would apply, BCMI has no liabilities or obligations that individually or in the aggregate exceed \$50,000.

h. Material Contracts. BCMI has furnished or made available to NMI complete and correct copies of all material contracts, agreements and instruments to which BCMI is a party, each as amended or modified to the date of this Agreement (collectively, the "Material Agreements") and each of the Material Agreements is in full force and effect and enforceable according to its terms, subject to (i) bankruptcy, insolvency, reorganization, moratorium and other similar laws now or hereafter in effect relating to or affecting creditors' rights generally, and (ii) general principles of equity, and there exists no material event of default or occurrence, condition or act on the part of BCMI, or to BCMI's knowledge, on the part of the other parties to the Material Agreements, that would constitute (with notice or lapse of time or both) a material breach of or material default under any of the Material Agreements.

i. Environmental Matters.

(1) (a) To the best knowledge of BCMI, BCMI has complied with all applicable environmental laws.

(b) To the best knowledge of BCMI, the properties currently owned or operated by BCMI are not contaminated with any hazardous substances requiring remediation.

(c) To the best knowledge of BCMI, prior to or during the period of ownership or operation by BCMI, properties formerly owned or operated by BCMI were not contaminated with hazardous substances requiring remediation by BCMI.

(d) To the best knowledge of BCMI, BCMI is not subject to liability under any environmental laws.

(e) BCMI has not received any written notice, demand, letter, claim or request for information from any governmental entity indicating that BCMI may be in violation of or liable under any environment law.

(2) BCMI has made available to NMI, for review and copying, all environmental reports, if any, in its possession, prepared for it by third-party environmental consultants concerning any currently or formerly owned property.

(3) The following definitions apply for purposes of this paragraph i.:

(a) "Environmental laws" means any and all foreign, federal, state or local statutes, laws, regulations, ordinances, rules or codes now in effect relating to the environment, to the effect of the environment on human health or safety or to the use, generation, manufacturing, treatment, disposal, storage, discharge or release of hazardous substances into the environment, including without limitation, ambient air, surface water, groundwater or land, or the remediation thereof.

(b) "Governmental entity" means any foreign, domestic, federal, territorial, state or local U. S. or non U. S. governmental authority, quasi-governmental authority, instrumentality, court or government, self-regulatory organization, commission, tribunal or organization or any political or other subdivision, department, branch or representative of any of the foregoing.

(c) “Hazardous substances” means any toxic, radioactive, caustic or otherwise hazardous substance, including petroleum and its derivatives and by-products, or any substance having any constituent elements displaying any of the foregoing characteristics, regulated under environmental laws.

j. Properties. BCMI has good title to, or in the case of leased property has valid leasehold interests in, all of its property and assets (whether real or personal, tangible or intangible), except for imperfections in title or invalidities in leasehold interests that do not, individually or in the aggregate, materially detract from the value reflected on its September 30, 2010, Quarterly Statement, and none of such property and assets is subject to any liens, other than those reflected on its September 30, 2010, Quarterly Statement, liens for taxes not yet due or being contested in good faith (and for which adequate accruals or reserves have been established), and liens that do not individually or in the aggregate materially detract from the value reflected on its September 30, 2010, Quarterly Statement or materially interfere with any present or intended use of any material property or assets.

k. Insurance. Prior to the Closing Date, RCM has maintained insurance relating to its assets, properties, business and operations (including, without limitation, errors and omissions insurance with respect to its employees, officers, and directors) in a manner consistent with past practices and that is reasonable for a company of its size that is engaged in the insurance business.

l. Employees. BCMI has no employees and it receives the services of Zimmerman Insurance Agency employees pursuant to an Shared Operations Agreement. BCMI agrees to use its best efforts to maintain this relationship and further agrees not to make any changes in the Shared Operations Agreement without prior notice and consultation with NMI.

m. Taxes. To the best of BCMI’s knowledge: (i) BCMI has duly filed all tax returns required to be filed by it on or prior to the date of this Agreement and all such tax returns are true, correct and complete in all material respects and BCMI has duly paid in full or made provision for the payment of all taxes for all periods or portions thereof; (ii) no federal, state or local audits or other administrative proceedings or court proceedings are presently pending or, to the best of BCMI’s knowledge, threatened with regard to any taxes or tax returns of BCMI; and (iii) BCMI has withheld and paid all federal, state and local taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor or other third party.



n. Agents and Brokers. BCMI has furnished to NMI a list which contains true, complete and accurate information, to the best of BCMI's knowledge, as of September 30, 2010, regarding the agents and brokers (including their names, addresses, telephone numbers and gross premiums written by line of business for the most recent 12-month period) which have generated business that is currently in force with BCMI.

o. Insurance Contracts. To the best knowledge of BCMI:

(1) All insurance policy benefits payable under the insurance contracts issued by BCMI pursuant to claims which have been made against such insurance contracts have, in all material respects, been paid in accordance with the terms of the insurance contracts under which they arose, are being processed in the ordinary course of BCMI's business or are in dispute, except for such benefits for which BCMI believes there is a reasonable basis to contest payment.

(2) No outstanding insurance contract issued, reinsured or underwritten by BCMI entitles the holder thereof or any other person or entity to receive dividends, distributions or other benefits based on the revenues or earnings of BCMI or any other entity, other than those dividends and distributions which are declared by the Board of Directors of BCMI.

(3) The underwriting standards utilized and ratings applied by BCMI conform in all material respects to industry accepted practices and the standards and ratings required pursuant to the terms of the respective reinsurance, coinsurance or other similar contracts.

(4) To the best of BCMI's knowledge, each agent, at the time such agent wrote, sold or produced the business for BCMI, was duly licensed as an insurance agent (for the type of business written, sold or produced by such agent) in the particular jurisdiction in which such agent wrote, sold or produced such business, except where the failure to have such license would not have a material adverse effect on BCMI.

(5) To the best of BCMI's knowledge, BCMI's insurance agents have not violated (or with or without notice or lapse of time or both, would have violated) any term or provision of any law, regulation or any writ, judgment, decree, injunction or similar order applicable to the writing, sale or production of the business, except where such violation would not have a material adverse effect on the business.

(6) (i) All insurance contracts have been issued, to the extent required under applicable law, on forms approved by the insurance regulatory authority of the state or jurisdiction where issued or, to the extent required by applicable law, have been filed with and not objected to by such authority within the period provided for objections; and (ii) any premium rates with respect to the business required to be filed with or approved by insurance regulatory authorities have been filed or approved and premiums charged conform thereto in all material respects except for such noncompliance, violation or failure which, individually or in the aggregate could not reasonably be expected to have a material adverse effect on BCMI.

4.2. Representations and Warranties of NMI. NMI represents and warrants to BCMI as of the Contract Date as follows:

a. Corporate Existence and Power. NMI has been duly organized, is validly existing, and is in good standing under the laws of the state of North Dakota. NMI has all corporate powers required to carry on its business as now conducted, has all material government licenses, authorizations, permits, consents, and approvals required to carry on its business as now conducted, and is not in violation of any of the provisions of its Articles of Incorporation, By-Laws or other organizational documents.

b. Corporate Authorization. The execution, delivery, and, subject to the receipt of any required approvals, performance by NMI of this Agreement and each of the other Transaction Documents is within NMI's power and has been or will be prior to the Effective Date, duly authorized by all necessary corporate action. Each of the Transaction Documents constitute valid and legally binding agreements, enforceable against NMI in accordance with their respective terms, subject to (i) bankruptcy, insolvency, reorganization, moratorium, and other similar laws now or hereafter in effect relating to or affecting creditors' rights generally and (ii) general principles of equity.

c. Governmental Authorization. The execution, delivery, and performance by NMI of this Agreement and each of the other Transaction Documents requires no action by or in respect of, or filing with, any governmental body, agency, or official on the part of NMI other than approvals, filings, and/or notices to the North Dakota Insurance Department.

d. Financial Statements.

(1) NMI has previously made available to BCMI true and complete copies of its (A) Annual Statement for the year ended 2009, and (B) Quarterly Statement as of and for the calendar quarter ended September 30, 2010.

(2) To the best knowledge of NMI, since December 2005, NMI has filed all financial statements required to be filed with or submitted to the appropriate regulatory authorities. Each such statement complied with all applicable laws when so filed. Each such statement was prepared in accordance with the statutory accounting principles in effect when so filed and presents fairly NMI's financial position as of the date thereof and the related summaries of operations and changes in capital and surplus and cash flows of such entity for the respective periods covered thereby.

e. Reserves. The aggregate reserves of NMI, after taking any applicable pooling or reinsurance agreements into account and deeming them to be in effect as of the relevant dates or periods, as established or reflected in each of the December 31, 2009, Annual Statement and the September 30, 2010, Quarterly Statement, (i) were computed in accordance with presently accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles; (ii) meet all requirements of applicable law and meet or exceed the minimum aggregate amounts required by applicable North Dakota law; and (iii) make reasonable provision for all unpaid loss and loss expense obligations under the terms of the insurance contracts issued by NMI.

f. Absence of Certain Changes. The business of NMI from the date of the last quarterly statement to the date of this Agreement has been conducted in the ordinary course consistent with past practices (including, without limitation, with regard to underwriting, pricing, actuarial, and investment policies generally) and there has not been any material change in any method of accounting or accounting practice or policy (including, without limitation, any reserving method, practice or policy), except for any such change resulting from a concurrent change in officially promulgated Standard Actuarial Principles or Statutory Accounting Principles in the United States, as the case may be.

g. NMI will use its best efforts to assist BCMI to secure a rating from A. M. Best that is the equivalent of NMI's A. M. Best rating.

h. Litigation. There is no action, suit, investigation or proceeding pending against, nor, to the knowledge of NMI, threatened against or affecting the property of NMI before any court or arbitrator or any governmental body, agency or official (i) in which the actual damages alleged or sought exceed \$100,000 (except for claims under any insurance policy issued by NMI); (ii) that alleges a course of conduct that may reasonably be expected to give rise to a class action lawsuit; or (iii) that alleges bad faith and there is a reasonable possibility of ultimate liability in excess of \$100,000 over any aggregate reserves that have been established to cover such claims, nor is there any judgment, decree, injunction or order of any governmental body, agency or official outstanding against NMI which reasonably could be expected to have a material adverse effect upon NMI.

i. Compliance With Laws. To the best knowledge of NMI, there does not exist any current violation by NMI of any applicable law and since January 1, 2005, NMI has not received any written notice from any governmental entity alleging the existence of any violation of any applicable law that could reasonably be expected to be material or directing NMI to take any remedial action.

j. Taxes. To the best knowledge of NMI, (i) it has duly filed all tax returns required to be filed by it on or prior to the date of this Agreement and all such tax returns are true, correct and complete in all material respects, and NMI has duly paid in full or made provision for the payment of all taxes for all periods or portions thereof; (ii) no federal, state or local audits or other administrative proceedings or court proceedings are presently pending or threatened with regard to any taxes or tax returns of NMI; and (iii) NMI has withheld and paid all federal, state and local taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor or other third party.

SECTION 5

COVENANTS

5.1. Conduct of Business Prior to the Closing Date. NMI and BCMI each covenant and agree that, after the date of this Agreement and prior to the Closing (except as expressly contemplated by this Agreement or by the other Transaction Documents), it will promptly advise the other party in writing of any material adverse effect on their respective insurance businesses or of any litigation involving such party that could reasonably be expected to materially and adversely affect the consummation of the Transactions.

5.2. Access to Information. From the date of this Agreement until the Closing, subject to any applicable contractual restrictions and applicable legal privileges, and to the extent applicable law would not thereby be violated, NMI and BCMI each covenant and agree to:

a. give the other party and its authorized representatives full access (including the copying of such materials as may be reasonably requested), upon reasonable prior notice and during normal business hours, to their respective offices, properties, books and records;

b. furnish the other party, its counsel, financial advisors, auditors, and other authorized representatives such financial and operating data and other information relating to their respective businesses as such persons may reasonably request; and

c. instruct their respective employees, counsel, and financial advisors to cooperate with the other party in its investigations in relation to the Transactions.

5.3. Notices of Certain Events. NMI and BCMI each covenant and agree to promptly notify the other party of any of the following:

- a. any notice or other communication received by such party from any source alleging that the consent of another person or entity is or may be required in connection with the Transactions;
- b. any notice or communication received by such party from any governmental or regulatory agency or authority relating to the Transactions;
- c. any actions, suits, claims investigations or proceedings commenced or, to such party's knowledge, threatened against, relating to or involving or otherwise affecting such party that, if the same had been pending on the date of this Agreement would have been required to have been disclosed or that relate to the consummation of the Transactions; and
- d. any breach of a representation or warranty of the notifying party that could reasonably be expected to materially and adversely affect the consummation of the Transactions.

5.4. Proposals for Alternative Transactions. BCMI covenants and agrees that from the Contract Date until the Closing, it will not and will not permit or cause any of its officers or directors to, and will direct them not to, directly or indirectly, initiate, solicit, encourage, or otherwise facilitate any inquiries or the making of any proposal or offer with respect to:

- a. a merger, reorganization, consolidation, or similar transaction involving, of any purchase of 5% or more of the assets of, or demutualization or conversion of, BCMI, other than in connection with one or more of the Transactions; or
- b. a transaction involving a pooling of the business of BCMI with another entity or any similar business combination or restructuring, other than in connection with one or more of the Transactions (any of the foregoing (a) or (b), an "Alternative Transaction Proposal").

Until this Agreement is otherwise terminated, BCMI further covenants and agrees that it will not and will not permit or cause any of its respective officers and directors to, and will direct them not to, directly or indirectly, engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with, any entity or representative of any entity relating to an Alternative Transaction Proposal, whether made before or after the date of this Agreement, or otherwise facilitate or attempt to make or implement an Alternative Transaction Proposal. BCMI will immediately cease and cause to be terminated any existing activities, discussions or negotiations with any parties conducted prior to the date of this Agreement with respect to any of the foregoing. BCMI will notify NMI immediately if any Alternative Transaction Proposal is received by it or any discussions or negotiations are sought in connection with an Alternative Transaction Proposal and will notify NMI of the identity of such other entity and its representatives and the material terms and conditions of any such proposals or offers.

5.5. BCMI's Insurance. For so long as BCMI remains as a participant in the Reinsurance Agreement and the Surplus Note, BCMI covenants and agrees to maintain directors and officers liability insurance coverage and errors and omissions insurance coverage with limits of liability at least equal to the limits under such insurance coverage as of the Contract Date.

5.6. Best Efforts. Subject to the terms and conditions of this Agreement and the other Transaction Documents, BCMI and NMI each covenant and agree to use their respective best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things reasonably necessary or desirable under applicable law to consummate the Transactions. NMI and BCMI shall:

a. promptly, and in any event within 60 days of the date of this Agreement, prepare and file all applications, notices, consents, and other documents necessary or advisable to obtain the regulatory approvals required to consummate the Transactions under the applicable law of Nebraska and North Dakota, respectively,

b. promptly file all supplements or amendments to such applications, notices, consents or other documents, and

c. use their best efforts to obtain any such required regulatory approvals. NMI and BCMI will provide each other and their respective counsel the opportunity to review in advance and comment on all such filings. They will keep each other informed of the status of all matters related to such required regulatory approvals. Further, they each covenant and agree that if any required regulatory approval to consummate one or more of the Transactions is denied or not obtained, they will use their respective best efforts to work together to restructure the Transaction or transactions to achieve or acquire all required regulatory approvals, it being agreed that in all such instances the benefits sought to be derived by both parties by the Transactions and the principal terms of the Transactions, financial or otherwise, will not change as a result of such restructuring.

5.7. Fees and Expenses. NMI and BCMI shall each pay the costs and expenses, including legal fees, incurred by it in negotiating and preparing this Agreement, the other Transaction Documents, and in closing and carrying out the Transactions, whether or not the Closing shall occur.

5.8. Obligation to Call Policyholder Meeting. BCMI agrees that, within 60 days after this Agreement and related Transactions have been approved by the Board of Directors of BCMI, it will send notice to its policyholders of the Annual Meeting for the purpose of approving the Transactions, including but not limited to voting on the amendments to BCMI's Articles of Incorporation and the election of directors.

5.9. Public Announcements and Confidentiality. NMI and BCMI each covenant and agree to consult with each other before issuing any press release or making any public statement with respect to this Agreement, any other Transaction Document or the Transactions and, except as may be required by applicable law, will not make any such public statement prior to such consultation. Except as may be required by applicable law, NMI and BCMI shall keep this Agreement, the other Transaction Documents and all other documents and information relating to the Transactions or furnished pursuant to or in connection with the Transaction Documents or the Transactions confidential.

## SECTION 6

### TERMINATION

6.1. Grounds for Termination Prior to Closing. This Agreement may be terminated at any time prior to the Closing:

- a. by mutual written agreement of the parties; or



b. by either party if the Closing shall not have been consummated on or before June 30, 2011, provided, however, that no party may exercise the right to terminate this Agreement under this subsection 6.1(b) if the failure to consummate the Closing was a result of a breach by such party of any of its obligations under this Agreement or any other Transaction Document.

c. by NMI if either the BCMI Board of Directors or the members of BCMI, as applicable, fail to approve this Agreement, the other Transaction Documents, the Transactions, or fail to approve and adopt the Amended and Restated Articles of Incorporation and Amended and Restated Bylaws of BCMI substantially in the form attached to this Agreement.

d. if all regulatory approvals are not timely obtained.

e. by either party, if any of the other Transaction Documents are terminated, other than as a result of a breach by such party.

6.2. Grounds for Termination After Closing. This Agreement shall be terminated at any after the Closing:

a. by mutual written agreement of NMI or BCMI; or

b. by either NMI or BCMI if there has been a material breach by the other party of any representation, warranty, covenant or agreement contained in this Agreement or any other Transaction Document and such breach is not cured within 15 days after written notice of such breach is given by such terminating party to the other party.

## SECTION 7

### DISPUTE RESOLUTION

7.1. General. The parties shall endeavor to resolve all disputes arising out of this Agreement in an amicable manner, in accordance with Section 7.2 prior to resorting to arbitration under Section 7.3. All material disputes between the parties arising out of or resulting from this Agreement shall be resolved as provided in this Section 7.

7.2. Negotiations Between Executives. The parties shall attempt in good faith to resolve any dispute arising out of the making or performance of or otherwise relating to this Agreement merit promptly by negotiations between executives who have authority to settle the controversy. Any party may give the other party written notice of any dispute not resolved in the normal course of business. Within 20 days after delivery of said notice, executives of both parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the dispute. If the matter has not been resolved within 60 days after the disputing party's notice, or if the parties fail to meet within 20 days, either party may initiate arbitration under Section 7.3 hereof. If a negotiator intends to be accompanied at a meeting by an attorney, the other negotiator shall be given at least 7 days notice of such intention and may also be accompanied by an attorney. All negotiations pursuant to this clause are confidential and shall be treated as compromise and settlement negotiations for purposes of the Federal Rules of Evidence and any comparable state provision.

7.3. Arbitration.

a. Written Demand. In the event that any dispute arising out of this Agreement is not resolved under Section 7.2 hereof, such dispute shall be submitted to binding arbitration under this Section 7.3. Either party may institute arbitration under this Section 7.3 by making written demand on the other party.

b. Choice of Arbitrators. In the event that a demand by either party is made in writing on the other, each party shall appoint an individual as arbitrator and the two so appointed shall then appoint a third arbitrator. If either party refuses or neglects to appoint an arbitrator within 30 days of receipt of a written notice of demand for arbitration, the other party may appoint the second arbitrator. If the two arbitrators do not agree on a third arbitrator within 30 days of their appointment, each of the arbitrators shall nominate three individuals. Each arbitrator shall then decline two of the nominations presented by each of the other arbitrators. The third arbitrator shall then be chosen from the remaining two nominations by drawing lots. The arbitrators shall be active or former officers of property and casualty insurance or reinsurance companies. The arbitrator shall not have a personal or financial interest in the result of the arbitration.

c. Location of Arbitration. The arbitration hearings shall be held in Lincoln, Nebraska, or such other place as may be mutually agreed. Each side shall submit its case to the arbitrators within 30 days of the selection of the third arbitrator or within such longer period as may be agreed by the arbitrators. The arbitrators shall not be obliged to follow judicial formalities or the rules of evidence except to the extent required by governing law, that is, the state law of the situs of the arbitration as herein agreed; they shall make their decisions according to the practice of the property and casualty insurance business. The decision rendered by a majority of the arbitrators shall be final and binding on both sides. Such decision shall be a condition precedent to any right of legal action arising out of the arbitrated dispute which any side may have against the others. Judgment upon the award rendered may be entered in any court having jurisdiction thereof.

d. Arbitration Expenses. Each party shall pay (i) the fees and expenses of its own arbitrator, (ii) one-half of the fee and expenses of the third arbitrator and (iii) one-half of the other expenses that the parties jointly incur directly related to the arbitration proceeding. Other than as set forth above each party shall bear its own costs in connection with any such arbitration including, without limitation, (x) all legal, accounting, and other professional fees and expenses, and (y) all other costs and expenses each party incurs to prepare for such arbitration.

e. Rules of the American Arbitration Association. Except as provided above, arbitration shall be based, insofar as applicable, upon the Commercial Arbitration Rules of the American Arbitration Association.

## SECTION 8

### MISCELLANEOUS

8.1. Actions Subsequent to Closing. From and after the Closing, each party will, from time to time, at the reasonable request of the other party and without further consideration (but at the expense of the requesting party) do, execute, acknowledge, and deliver all such further acts, deeds, assignments, transfers, conveyances, certificates, and assurances as may be reasonably required by such other party to effect the Transactions.

8.2. Entire Agreement. This Agreement and the other Transaction Documents, including all schedules and exhibits thereto, constitute the entire agreement between the parties and there are no other agreements or understandings other than as expressed in this Agreement and the other Transaction Documents.

8.3. Binding Effect. This Agreement will apply to and inure to the benefit of and be binding upon and enforceable against each party and their respective successors and permitted assigns.

8.4. Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction will, as to that jurisdiction, be ineffective to the extent of any such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, that provision will be interpreted to be only so broad as is enforceable.

8.5. Waivers and Amendments. The Agreement and the Exhibits attached hereto may only be amended or modified, and the terms hereof may only be waived, by a writing, signed by each party or, in the case of a waiver, by the party entitled to the benefit of the terms being waived.

8.6. Assignment. Neither party will have the right to assign or otherwise transfer its rights or delegate its duties under this Agreement to any third party without the prior written consent of the other party.

8.7. Governing Law. This Agreement will be deemed to have been made under and governed by the laws of the state of Nebraska, without regard to Nebraska choice of law rules.

8.8. Notices. All notices and other communications under this Agreement will be in writing and will be delivered personally or sent by confirmed facsimile transmission or nationally recognized overnight delivery service. Any such notice or other communication will be deemed given upon actual delivery, in each case to the following addresses:

a. if to NMI:

Jim Alexander  
CEO  
Nodak Mutual Insurance Company  
1101 First Avenue North  
P.O. Box 2502  
Fargo, ND 58108-2502  
Fax No. (701) 298-4333

With concurrent copies to:

Kent M. Forney  
Bradshaw, Fowler, Proctor & Fairgrave, P.C.  
801 Grand Avenue, Suite 3700  
Des Moines, IA 50309-8004  
Fax No. (515) 246-5808

b. if to BCMI:

Bruce Zimmerman  
President  
Battle Creek Mutual Insurance Company  
603 South P  
Battle Creek, NE 68715  
Fax No.

With concurrent copies to:

William R. Kutilek  
Crosby Guenzel LLP  
134 South 13<sup>th</sup> Street, Suite 400  
Lincoln, NE 68508  
Fax No. (402) 434-7303

8.9. Construction; Interpretation. All pronouns and any variations thereof refer to the masculine, feminine, or neuter, singular, or plural, as the context may require. The headings in this Agreement are for convenience of reference only and will not affect its interpretation.

8.10. Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of NMI and BCMI as of December 30, 2010.

NODAK MUTUAL INSURANCE COMPANY

By: /s/ Michael J. Alexander  
Name: Michael J. Alexander  
Title: Executive Vice President & CEO

BATTLE CREEK MUTUAL INSURANCE COMPANY

By: /s/ Bruce Zimmerman  
Name: Bruce Zimmerman  
Title: President

## SUBSIDIARIES OF REGISTRANT

Company	State of Organization	Percentage of Equity Owned Directly or Indirectly
Nodak Insurance Company	North Dakota	100%
American West Insurance Company	North Dakota	100%
Tri-State Ltd.	South Dakota	100%
Primero Insurance Company	Nevada	100%
Nodak Agency, Inc.	North Dakota	100%

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form S-1 of NI Holdings, Inc. of our report dated August 10, 2016 relating to our audit of the consolidated balance sheets of Nodak Mutual Insurance Company and Subsidiaries as of December 31, 2015 and 2014 and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for the years then ended. We also consent to the reference to our Firm under the caption "Experts" in the prospectus.

/s/ WeiserMazars LLP  
Fort Washington, PA  
October 11, 2016

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**FELDMAN FINANCIAL ADVISORS, INC.**

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1001 CONNECTICUT AVENUE, NW · SUITE 840  
WASHINGTON, D.C. 20036  
202-467-6862 · (FAX) 202-467-6963**CONSENT OF FELDMAN FINANCIAL ADVISORS, INC.**

We hereby consent to the use of our firm's name in the Registration Statement on Form S-1 and related amendments thereto (collectively, the "Form S-1") of NI Holdings, Inc. ("NI Holdings") as filed with the Securities and Exchange Commission (the "SEC"). We also consent to the inclusion of, summary of, and reference to our Pro Forma Valuation Appraisal Report, dated as of April 29, 2016, of Nodak Mutual Insurance Company included in the Form S-1 filed by NI Holdings with the SEC. Furthermore, we consent to the inclusion of, summary of, and reference to our Subscription Rights Valuation Report, dated as of April 29, 2016, of Nodak Mutual Insurance Company included in the Form S-1 filed by NI Holdings with the SEC. In giving such consent, we do not admit and we disclaim that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the Rules and Regulations of the SEC thereunder.

**FELDMAN FINANCIAL ADVISORS, INC.**Washington, D.C.  
August 9, 2016

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**Nodak Mutual Insurance Company**  
Fargo, North Dakota

**Conversion Valuation Appraisal Report**  
Valued as of April 29, 2016

Prepared By

**Feldman Financial Advisors, Inc.**  
Washington, DC

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April 29, 2016

Board of Directors  
Nodak Mutual Insurance Company  
1101 First Avenue North  
Fargo, North Dakota 58102

Members of the Board:

At your request, we have completed and hereby provide an independent appraisal (the "Appraisal") of the estimated pro forma market value of Nodak Mutual Insurance Company ("Nodak Mutual" or the "Company") as of April 29, 2016. Nodak Mutual plans to convert from a mutual insurance company to a stock insurance company (the "Conversion") and issue all of its outstanding capital stock to Nodak Mutual Group, Inc. ("Nodak Mutual Group"), which will then contribute all of such shares to NI Holdings, Inc. ("NI Holdings") in exchange for 55% of the outstanding shares of common stock of NI Holdings. In conjunction with the Conversion, NI Holdings will offer 45% of its outstanding common stock for sale to eligible policyholders of Nodak Mutual, the employee stock ownership plan ("ESOP") of Nodak Mutual, directors, officers and employees of Nodak Mutual, and members of the general public (the "Offering").

In accordance with Section 3 of Chapter 26.1-12.2 "Mutual Property and Casualty Insurance Company Conversion" of the Century Code of North Dakota, the aggregate value of the capital stock issued in the Conversion shall be equal to the estimated pro forma market value of the converted stock company based upon a valuation by a qualified independent expert. Furthermore, as permitted by Section 3, the qualified independent expert may state the pro forma market value as a range of value and estimate the value as the value estimated to be necessary to attract full subscription for the shares. Pursuant to Section 3, the qualified independent expert may, to the extent feasible, determine the estimated pro forma market value by reference to a peer group of stock companies and the application of generally accepted valuation techniques.

Feldman Financial Advisors, Inc. ("Feldman Financial") is a financial consulting and advisory firm that specializes in financial valuations and analyses of business enterprises and securities in the financial services industries. The background of Feldman Financial is presented in Exhibit I. In preparing the Appraisal, we conducted an analysis of Nodak Mutual that included discussions with the Company's management and an onsite visit to the Company's headquarters. We reviewed the unaudited financial statements of the Company as prepared under generally accepting accounting principles ("GAAP") as of and for the years ended December 31, 2014 and 2015. In addition, where appropriate, we considered information based on other available published sources that we believe are reliable; however, we cannot guarantee the accuracy and completeness of such information.

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**FELDMAN FINANCIAL ADVISORS, INC.**

Board of Directors  
Nodak Mutual Insurance Company  
April 29, 2016  
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In preparing the Appraisal, we also reviewed and analyzed: (i) financial and operating information with respect to the business, operations, and prospects of Nodak Mutual as furnished to us by the Company; (ii) publicly available information concerning the Company that we believe to be relevant to our analysis; (iii) a comparison of the historical financial results and present financial condition of the Company with those of selected publicly traded insurance companies that we deemed relevant; and (iv) financial performance and market valuation data of certain publicly traded insurance industry aggregates as provided by industry sources.

The Appraisal is based on the Company's representation that the information contained in the Application and additional evidence furnished to us by the Company and its independent auditor are truthful, accurate, and complete. We did not independently verify the financial statements and other information provided by the Company and its independent auditor, nor did we independently value the assets or liabilities of the Company. The Appraisal considers the Company only as a going concern on a stand-alone basis and should not be considered as an indication of the liquidation value of the Company.

It is our opinion that, as of April 29, 2016 (the "Valuation Date"), the estimated pro forma market value of the Company was within a range (the "Valuation Range") of \$170,000,000 to \$230,000,000 with a midpoint of \$200,000,000. The Valuation Range was based upon a 15% decrease from the midpoint to determine the minimum and a 15% increase from the midpoint to establish the maximum. Based on the planned sale of 45% of the pro forma total outstanding shares of common stock, the aggregate value of the range of stock to be sold in the Offering (the "Offering Range") is from \$76,500,000 at the minimum to \$103,500,000 at the maximum with a midpoint of \$90,000,000.

Our Appraisal is not intended, and must not be construed, to be a recommendation of any kind as to the advisability of purchasing shares of common stock in the Offering. Moreover, because the Appraisal is necessarily based upon estimates and projections of a number of matters, all of which are subject to change from time to time, no assurance can be given that persons who purchase shares of stock in the Offering will thereafter be able to sell such shares at prices related to the foregoing estimate of the Company's pro forma market value.

The Appraisal reflects only the Valuation Range as of the Valuation Date of the estimated pro forma market value of the Company immediately before issuance of the stock and does not take into account any trading activity with respect to the purchase and sale of common stock in the secondary market on the date of issuance of such securities or at any time thereafter following the completion of the Offering. Feldman Financial is not a seller of securities within the meaning of any federal or state securities laws and any report prepared by Feldman Financial shall not be used as an offer or solicitation with respect to the purchase or sale of any securities.

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**FELDMAN FINANCIAL ADVISORS, INC.**


Board of Directors  
Nodak Mutual Insurance Company  
April 29, 2016  
Page Three

The Valuation Range reported herein will be updated as appropriate. These updates will consider, among other factors, any developments or changes in the Company's operating performance, financial condition, or management policies, and current conditions in the securities markets for insurance company common stocks. Should any such new developments or changes be material, in our opinion, to the estimated pro forma market value of the Company, appropriate adjustments to the Valuation Range will be made. The reasons for any such adjustments will be explained in detail at that time.

Respectfully submitted,

**Feldman Financial Advisors, Inc.**

  
Trent R. Feldman  
President

  
Peter W. L. Williams  
Principal

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## **INTRODUCTION**

At your request, we have completed and hereby provide an independent appraisal (the “Appraisal”) of the estimated pro forma market value of Nodak Mutual Insurance Company (“Nodak Mutual” or the “Company”) as of April 29, 2016. Nodak Mutual plans to convert from a mutual insurance company to a stock insurance company (the “Conversion”) and issue all of its outstanding capital stock to Nodak Mutual Group, Inc. (“Nodak Mutual Group”), which will then contribute all of such shares to NI Holdings, Inc. (“NI Holdings”) in exchange for 55% of the outstanding shares of common stock of NI Holdings. In conjunction with the Conversion, NI Holdings will offer 45% of its outstanding common stock for sale to eligible policyholders of Nodak Mutual, the employee stock ownership plan (“ESOP”) of Nodak Mutual, directors, officers and employees of Nodak Mutual, and members of the general public (the “Offering”).

Immediately following the Conversion, the stock insurance company will be renamed Nodak Insurance Company. Nodak Mutual Group, which will be organized as a North Dakota non-stock corporation, will own a majority of the outstanding common stock of NI Holdings and act as the mutual holding company (“MHC”) for NI Holdings and Nodak Insurance Company. The Offering is being made by NI Holdings, a North Dakota corporation formed to act as an intermediate holding company and own all of the outstanding capital stock of Nodak Insurance Company. Through its Board of Directors, NI Holdings will elect the directors of Nodak Insurance Company and direct, plan, and coordinate Nodak Insurance Company’s business activities.



**FELDMAN FINANCIAL ADVISORS, INC.**

In accordance with Section 3 of Chapter 26.1-12.2 of the Century Code of North Dakota, the aggregate value of the capital stock issued in the Conversion shall be equal to the estimated pro forma market value of the converted stock company based upon a valuation by a qualified independent expert. Furthermore, as permitted by Section 3 of Chapter 26.1-12.2, the qualified independent expert value may state the pro forma market value as a range of value and estimate the value as the value estimated to be necessary to attract full subscription for the shares. Pursuant to Section 3, the qualified independent expert may, to the extent feasible, determine the estimated pro forma market value by reference to a peer group of stock companies and the application of generally accepted valuation techniques.

Feldman Financial Advisors, Inc. ("Feldman Financial") is a financial consulting and advisory firm that specializes in financial valuations and analyses of business enterprises and securities in the financial services industries. The background of Feldman Financial is presented in Exhibit I. In preparing the Appraisal, we conducted an analysis of Nodak Mutual that included discussions with the Company's management and an onsite visit to the Company's headquarters. We reviewed the unaudited financial statements of the Company as prepared under generally accepting accounting principles ("GAAP") as of and for the years ended December 31, 2014 and 2015. In addition, where appropriate, we considered information based on other available published sources that we believe are reliable; however, we cannot guarantee the accuracy and completeness of such information.

In preparing the Appraisal, we also reviewed and analyzed: (i) financial and operating information with respect to the business, operations, and prospects of Nodak Mutual as furnished to us by the Company; (ii) publicly available information concerning the Company that we believe to be relevant to our analysis; (iii) a comparison of the historical financial results and present financial condition of the Company with those of selected publicly traded insurance companies that we deemed relevant; and (iv) financial performance and market valuation data of certain publicly traded insurance industry aggregates as provided by industry sources.

**FELDMAN FINANCIAL ADVISORS, INC.**

The Appraisal is based on the Company's representation that the information contained in the Application and additional evidence furnished to us by the Company and its independent auditor are truthful, accurate, and complete. We did not independently verify the financial statements and other information provided by the Company and its independent auditor, nor did we independently value the assets or liabilities of the Company. The Appraisal considers the Company only as a going concern on a stand-alone basis and should not be considered as an indication of the liquidation value of the Company.

Our Appraisal is not intended, and must not be construed, to be a recommendation of any kind as to the advisability of purchasing shares of common stock in the Offering. Moreover, because the Appraisal is necessarily based upon estimates and projections of a number of matters, all of which are subject to change from time to time, no assurance can be given that persons who purchase shares of stock in the Offering will thereafter be able to sell such shares at prices related to the foregoing estimate of the Company's pro forma market value.

The Appraisal reflects only the Valuation Range as of the Valuation Date of the estimated pro forma market value of the Company immediately before issuance of the stock and does not take into account any trading activity with respect to the purchase and sale of common stock in the secondary market on the date of issuance of such securities or at any time thereafter following the completion of the Offering. Feldman Financial is not a seller of securities within the meaning of any federal or state securities laws and any report prepared by Feldman Financial shall not be used as an offer or solicitation with respect to the purchase or sale of any securities.

**FELDMAN FINANCIAL ADVISORS, INC.**

The Valuation Range reported herein will be updated as appropriate. These updates will consider, among other factors, any developments or changes in the Company's operating performance, financial condition, or management policies, and current conditions in the securities markets for insurance company common stocks. Should any such new developments or changes be material, in our opinion, to the estimated pro forma market value of the Company, appropriate adjustments to the Valuation Range will be made. The reasons for any such adjustments will be explained in detail at that time.

## **I. BUSINESS OF NODAK MUTUAL**

### **General Overview**

Nodak Mutual is a mutual insurance company domiciled in North Dakota. Nodak Mutual writes primarily property and casualty insurance, multi-peril crop insurance, and crop hail insurance exclusively for members of the North Dakota Farm Bureau. Nodak Mutual markets its products through a network of over 65 exclusive producers in North Dakota. For the year ended December 31, 2015, Nodak Mutual had direct premiums written of \$132.1 million. Nodak Mutual has been assigned a financial strength rating of “A” (Excellent) by A.M. Best Company, Inc. (“A.M. Best”), which is the third highest out of fifteen possible ratings.

Nodak Mutual was incorporated under the law of North Dakota on April 15, 1946 as a property and casualty insurer and commenced business on April 24, 1946. Since its inception, the Company has been affiliated with the North Dakota Farm Bureau. Nodak Mutual has two wholly owned insurance subsidiaries: American West Insurance Company (“American West”) and Primero Insurance Company (“Primero”). Nodak Mutual also controls Battle Creek Mutual Insurance Company (“Battle Creek”) through an affiliation agreement with Battle Creek, fully reinsures all of the insurance policies issued by Battle Creek, and consolidates Battle Creek’s results with its own for financial statement reporting purposes. Nodak Mutual acquired American West in 2001 and Primero in 2014, and affiliated with Battle Creek in 2011.

American West is a stock insurance company domiciled in North Dakota. American West writes multi-peril crop, crop hail, farmowners, private passenger automobile, and homeowners insurance in South Dakota, North Dakota, and Minnesota through independent agents in approximately 104 offices. For the year ended December 31, 2015, direct premiums written for American West totaled \$8.7 million. American West has been assigned a financial strength rating of “B++” (Good) by A.M. Best. American West is licensed in eight states in the Midwest and Western United States.

**FELDMAN FINANCIAL ADVISORS, INC.**

Battle Creek is a mutual insurance company domiciled in Nebraska. Battle Creek writes private passenger automobile, homeowners, farmowners, and multi-peril crop insurance exclusively in Nebraska through independent agents in approximately 288 offices. In 2015, direct premiums written for Battle Creek totaled \$20.7 million, all of which was reinsured by Nodak Mutual. Battle Creek has been assigned a financial strength rating of "A" (Excellent) by A.M. Best. Under the Battle Creek bylaws, Nodak Mutual has the right to appoint two-thirds of the Board of Directors of Battle Creek and provides management services to Battle Creek pursuant to an affiliation agreement.

Primero is a stock insurance company domiciled in Nevada. Primero is a wholly owned subsidiary of Tri-State, Ltd., a holding company that is wholly owned by Nodak Mutual. Primero writes minimum limits automobile liability insurance (commonly known as non-standard automobile insurance) in Nevada, Arizona, North Dakota, and South Dakota through approximately 612 independent agents. In 2015, direct premiums written totaled \$11.3 million. Because non-standard automobile insurance is not as rating sensitive as other lines of business, Primero is not rated by A.M. Best.

At December 31, 2015, Nodak Mutual had consolidated GAAP assets of \$261.2 million, liabilities of \$110.7 million, and equity of \$150.5 million. For the year ended December 31, 2015, Nodak Mutual had \$172.8 million in consolidated direct premiums written, \$143.1 in net premiums written, and net income of \$17.6 million. Each of the insurance companies is subject to examination and comprehensive regulation by the insurance department of the state in which it is domiciled.

**Products and Services**

Nodak Mutual was formed in 1946 to offer property and casualty insurance to members of the North Dakota Farm Bureau. Nodak Mutual's bylaws provide that a person must be a member and remain a member of the North Dakota Farm Bureau in order to become and remain a policyholder of Nodak Mutual. Such bylaws also require that certain members of the Board of Directors of Nodak Mutual must be members of the North Dakota Farm Bureau. The bylaws of Nodak Insurance Company will continue to require policyholders to be members of the North Dakota Farm Bureau and provide that four members of the Board of Directors of Nodak Insurance Company must be members of the board of directors of the North Dakota Farm Bureau. Similarly, one-third of the members of the Board of Directors of Nodak Mutual Group must be persons designated by the North Dakota Farm Bureau.

The North Dakota Farm Bureau has granted Nodak Mutual a nonexclusive, nontransferable license to use the name "Farm Bureau" and the "FB" logo and associated trademarks to market Nodak Mutual products, including insurance products. Nodak Mutual has held this license since the Company's inception in 1946, and the current version of the license agreement has been in place since 2002. Although the current license agreement expires on October 1, 2016, the license agreement has historically been renewed annually by a vote of the Nodak Mutual Board of Directors. Under the license agreement, Nodak Mutual is required to pay to the North Dakota Farm Bureau an annual royalty payment equal to 1.3% of Nodak Mutual's written premiums (excluding multi-peril crop insurance premiums), subject to a maximum royalty payment of \$1,269,728 and a minimum payment of \$900,000. The maximum royalty payment is adjusted annually based upon the Consumer Price Index as of June 1.

**FELDMAN FINANCIAL ADVISORS, INC.**

*Personal lines.* Nodak Mutual, Battle Creek, and American West each write private passenger automobile, homeowners, and farmowners policies in the respective states in which they issue policies. Collectively, personal lines accounted for approximately \$106.6 million or 61.7% of the total premiums written by the companies on a consolidated basis during 2015.

*Commercial lines.* In addition to the personal lines described above, Nodak Mutual and American West write commercial coverages, primarily commercial multi-peril insurance. Collectively, commercial lines accounted for approximately \$5.1 million or 3.0% of the total premiums written by the companies on a consolidated basis during 2015.

*Crop Insurance.* Multi-peril crop and crop hail insurance policies are also offered by Nodak Mutual, Battle Creek, and American West. Collectively, crop insurance accounted for approximately \$49.8 million or 28.8% of the total premiums written by these operating units on a consolidated basis during 2015.

*Non-standard Automobile.* Primero writes only non-standard automobile insurance with a focus on minimum limits automobile liability coverage. Primero's total premiums written during 2015 were \$11.3 million, which accounted for 6.5% of the total premiums written by the companies on a consolidated basis in 2015.

Nodak Mutual is the third largest property and casualty insurer in North Dakota where it had 2015 direct written premium of \$132.1 million representing 5.3% of a \$2.5 billion market. In its other primary markets, the Company had a much smaller market presence. The Company was the 44th largest writer in the \$4.5 billion Nebraska market, the 88th largest writer in the \$2.4 billion South Dakota market, and the 325th largest writer in the \$11.0 billion Minnesota market where it focuses almost exclusively on multi-peril crop insurance.

**Crop Insurance**

Crop insurance is purchased by agricultural producers, including farmers, ranchers, and others to protect themselves against either the loss of their crops due to natural disasters, such as hail, drought, and floods, or the loss of revenue due to declines in the prices of agricultural products. The two general categories of crop insurance are called crop-yield insurance and crop-revenue insurance. Crop-yield insurance protects against a reduction in the yield per acre from the historical average yield in a specified area, such as a county or National Oceanic and Atmospheric Administration weather grid, while crop-revenue insurance also provide protection against declines in the price of the particular crop. Most of the multi-peril crop insurance policies written provide the policyholder with the option to calculate price-based losses on the higher of the prevailing price when the crop is planted or the price at harvest.

Beginning in 1980, the U.S. Congress expanded the federal crop insurance program to cover more crops and regions of the country. More importantly, Congress permitted private sector insurers to market and administer federal insurance policies in exchange for an opportunity to earn a profit through bearing a portion of the risk. Congress also authorized a premium subsidy for the farmers and ranchers. As a result, there was a rapid increase in the acres insured from approximately 26 million acres in 1980 to 100 million acres in 1990. The Federal Crop Insurance Reform Act of 1994 made participation in the crop insurance program mandatory for farmers to be eligible to participate in other government support programs and provided a minimum level of free catastrophic risk coverage for insured and noninsured crops. In 2015, there were approximately 23.1 million acres insured in North Dakota, 16.2 million acres in South Dakota, 17.7 million acres in Minnesota, and 298.6 million acres nationwide. Nodak Mutual, through its Battle Creek affiliate, writes a very small amount of crop insurance in Nebraska. Nodak Mutual's crop insurance policies cover approximately 1.9 million acres in North Dakota, and American West's crop insurance policies cover approximately 14,000 acres in South Dakota and approximately 90,000 acres in Minnesota.



**FELDMAN FINANCIAL ADVISORS, INC.**

The crop hail and multi-peril crop insurance business is overseen by the federal government through the Risk Management Agency (“RMA”) of the U.S. Department of Agriculture. The RMA outlines policy language, establishes premium rates and develops loss adjustment procedures for insurance programs under the federal crop insurance program. In addition, through the Federal Crop Insurance Corporation (“FCIC”), the RMA provides premium subsidies to farmers and sets the commission percentages that can be paid to agents. The RMA provides oversight to the approved insurance providers (“AIPs”). Private-sector insurance companies sell and service the policies. The AIPs are required to use the policies, premium rates, and loss adjustment procedures set by the RMA without modification and are required to issue a policy to any eligible applicant regardless of risk or profitability. Not more often than every five years, the AIPs renegotiate the contract with the RMA, known as the Standard Reinsurance Agreement (“SRA”), which outlines items such as reporting requirements and claims handling procedures, proportional and non-proportional reinsurance terms, and the level of administrative and operating reimbursement paid to insurers. The RMA also conducts audits of insurers with respect to claims and loss adjustment procedures.

## **FELDMAN FINANCIAL ADVISORS, INC.**

Based on data compiled by SNL Financial from insurance companies, Chubb Ltd. was the largest writer of federal multi-peril crop insurance in 2015, with nearly 18% of the estimated \$10 billion market. ACE Ltd., which adopted the Chubb name after it acquired Chubb Corp. in January 2016, has consistently ranked among the nation's top two writers of multi-peril crop business in recent years. Chubb Ltd. posted \$1.75 billion in direct premiums written in multi-peril crop insurance in 2015, compared with \$1.89 billion in 2014. Rural Community Insurance Company ("RCIC") came in second with direct premiums written of \$1.74 billion in 2015. On April 1, 2016, Zurich American Insurance Company acquired RCIC from Wells Fargo & Company. Based on its aggregate direct premiums written of \$43.1 million in 2015, the Nodak Mutual consolidated group of companies ranked 18th nationally. Most of the companies writing federal multiple crop insurance business experienced improved results in 2015 as compared to 2014. The negative impact of lower commodity prices was offset by generally favorable weather conditions, increases in volatility factors, increases in acreage, coverage levels, and new policies.

The recent Zurich-RCIC transaction is one acquisition among a number that is reshaping the specialty crop insurance marketplace. In October 2015, Tokio Marine Holdings acquired HCC Insurance Holdings, which itself had acquired Producers Agriculture Insurance Company in January 2015 from CUNA Mutual Group. Farmers Mutual Hail Insurance Co. of Iowa completed in March 2015 its acquisition of John Deere Insurance Company and John Deere Risk Protection, Inc., formerly the crop insurance business units of Deere & Co. AmTrust Financial Services, Inc. completed the acquisition of The Climate Corporation's crop insurance business in July 2015. Consolidation activity is expected to continue within specialty insurance lines facing strong external challenges such as crop insurance and medical professional liability as larger insurers seek product line and geographic diversification.

### **Marketing and Distribution**

Nodak Mutual's marketing philosophy is to sell profitable business in its core states, using a focused, cost-effective distribution system. Nodak Mutual distributes its insurance products through approximately 65 exclusive agents selected and trained by the Company. American West, Battle Creek, and Primero rely on independent producers. These independent producers are viewed by the Company as important partners because they are in a position to recommend either the Company's insurance products or those of a competitor to their customers. The Company considers its relationships with these producers to be good.

**FELDMAN FINANCIAL ADVISORS, INC.**

The Company reviews its producers annually with respect to both premium volume and profitability. The producers are monitored primarily by the Company's three-person marketing staff, which also has principal responsibility for recruiting and training exclusive agents in North Dakota and independent producers in other states. The Company holds annual seminars for producers and conduct training programs that provide both technical training about its products and sales training about how to effectively market its products. For the year ended December 31, 2015, none of the Company's producers were responsible for more than 5% of the direct premiums written by its various insurance companies.

Producers are compensated through a fixed base commission. Agents receive commission as a percentage of premiums (generally 5% to 15%) as their primary compensation from the Company. RMA establishes the maximum commission that can be paid to producers with respect to crop insurance policies. Battle Creek and American West pay profit sharing commissions to their agencies based on various annual agency premium thresholds and the difference between the agency's loss ratio and the loss ratio goal established by the insurance company. The commission is paid with respect to all property and casualty (non-crop) business earned within the calendar year. Nodak Mutual pays a profit sharing commission to its agents only with respect to farmowners business originated by such agents.

## **FELDMAN FINANCIAL ADVISORS, INC.**

The Company's marketing efforts are further supported by its claims philosophy, which is designed to provide prompt and efficient service and claims processing, resulting in a positive experience for producers and policyholders. The Company believes that these positive experiences result in higher policyholder retention and new business opportunities when communicated by producers and policyholders to potential customers. While it relies on independent agents for distribution and customer support, underwriting and claim handling responsibilities are retained by the Company. Many of its agents have had direct relationships with the Company for a number of years.

### **Underwriting, Risk Assessment and Pricing**

The Company's underwriting philosophy is aimed at consistently generating profits through sound risk selection and pricing discipline. Through its management and underwriting staff, the Company regularly establishes rates and rating classifications for its insureds based on loss and loss adjustment expense ("LAE") experience that it has developed over the years, and the loss and LAE experience for the entire property and casualty insurance market. The Company maintains various rating classifications based on location, type of business, and other liability factors.

The Company believes that the nature of its business requires that it remain sensitive to the marketplace and the pricing strategies of its competitors. Using the market information as background, the Company normally sets its prices based on its estimated future costs. From time to time, the Company may reduce its discounts or apply a premium surcharge to achieve an appropriate return. Pricing flexibility allows the Company to provide a fair rate commensurate with the assumed liability. If its pricing strategy cannot yield sufficient premium to cover its costs on a particular type of risk, the Company may determine not to underwrite that risk. It is the Company's philosophy not to sacrifice profitability for premium growth.

## **FELDMAN FINANCIAL ADVISORS, INC.**

Nodak Mutual's competitive strategy in underwriting is to provide very high quality service to its producers and insureds by responding quickly and effectively to information requests and policy submissions. The Company maintains information on all aspects of its business, which is regularly reviewed to determine both agency and policyholder profitability. Specific information regarding individual insureds is monitored to assist the Company in making decisions about policy renewals or modifications.

The Company's underwriting staff, which also underwrites coverage issued by American West and Battle Creek, includes 21 employees with more than 277 combined years of experience in property and casualty insurance underwriting. Primero employs four underwriters in connection with its non-standard automobile insurance business. All of the underwriting for the Company's multi-peril crop and crop hail insurance is underwritten by American Farm Bureau Insurance Services.

Nodak Mutual strives to be disciplined in its pricing by pursuing rate increases to maintain or improve its underwriting profitability while still being able to attract and retain customers. The Company utilizes pricing reviews that it believes will help it price risks more accurately, improve account retention, and support the production of profitable new business. The pricing reviews involve evaluating claims experience and loss trends on a periodic basis to identify changes in the frequency and severity of claims. The Company then considers whether its premium rates are adequate relative to the level of underwriting risk as well as the sufficiency of its underwriting guidelines.

### **Claims and Litigation Management**

Nodak Mutual's claims management philosophy involves: (i) aggressive closure of claims through prompt and thorough investigation of the facts related to the claim; (ii) equitable settlement of meritorious claims; and (iii) vigorous defense of unfounded claims as to coverage, liability or the amount claimed. The Company's claims team supports its underwriting strategy by working to provide a timely, good faith claims handling response to policyholders. Claims excellence is achieved by timely investigation and handling of claims, settlement of meritorious claims for equitable amounts, maintenance of adequate case reserves, and control of claims loss adjustment expenses.

**FELDMAN FINANCIAL ADVISORS, INC.**

Claims on insurance policies are received directly from the insured or through the Company's producers. Nodak Mutual and its insurance subsidiaries are required by applicable insurance laws and regulations to maintain reserves for payment of losses and loss adjustment expenses for reported claims and for claims incurred but not reported, arising from policies that have been issued. Generally, these laws and regulations require that the Company provide for the ultimate cost of those claims without regard to how long it takes to settle them or the time value of money. The determination of reserves involves actuarial and statistical projections of what the Company expects to be the cost of the ultimate settlement and administration of such claims based on facts and circumstances then known, estimates of future trends in claims severity, and other variable factors such as inflation and changing judicial theories of liability.

The Company's actuaries utilize standard actuarial techniques to project ultimate losses based on its paid and incurred loss information, as well as drawing from industry data. The Company analyzes loss trends and claims frequency and severity to determine its "best estimate" of the required reserves. Nodak Mutual's Vice President of Operations supervises a staff of 40 employees with over 341 years of combined experience in processing property and casualty insurance claims. All claims made under the Company's multi-peril crop and crop hail insurance policies are processed and administered by American Farm Bureau Insurance Services.

**American Farm Bureau Insurance Services**

American Farm Bureau Insurance Services (“AFBIS”) underwrites all of the multi-peril crop and crop hail insurance policies issued by Nodak Mutual and approximately 21 other insurers. AFBIS also processes and administers all claims made by policyholders under such policies. Nodak Mutual reimburses AFBIS for its actual loss adjustment expense with respect to the policies issued by the Company and pays AFBIS a percentage of the premiums that the Company received with respect to such policies. Nodak Mutual is a shareholder of AFBIS, along with each of the other insurers for whom AFBIS provides such services. AFBIS retains 3% of its revenues and pays all remaining profits to Nodak Mutual and the other shareholders of AFBIS.

**Executive Management**

Eric K. Aasmundstad currently serves as President of Nodak Mutual. Mr. Aasmundstad has served on the Board of Directors of Nodak Mutual since 1997 and as President since 2008. A graduate of North Dakota State University with a degree in engineering, Mr. Aasmundstad operates farming and custom harvesting businesses and also owns a metalworking business. He served as President of the North Dakota Farm Bureau from 1999 through 2011. During his tenure as President of the North Dakota Farm Bureau, Mr. Aasmundstad served on the board of directors of American Agricultural Insurance Company, Inc., which provides reinsurance to Farm Bureau insurance companies and other independent insurers. Following the Conversion, Mr. Aasmundstad will also serve as a member of the Board of Directors of NI Holdings.

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Michael J. Alexander joined Nodak Mutual as Senior Vice President of Underwriting in August 2003 until his promotion to Chief Operating Officer in November 2004. Mr. Alexander was appointed Executive Vice President and Chief Executive Officer in July 2005. Prior to joining Nodak Mutual, he was director of underwriting/customer service at MSI Insurance Companies. Mr. Alexander has over 25 years of experience in the property and casualty industry. Mr. Alexander graduated from Earlham College with a Bachelor of Arts degree in Mathematics and obtained his Master of Arts degree in Actuarial Science from Ball State University. Following the Conversion, Mr. Alexander will also serve as President, Chief Executive Officer, and a member of the Board of Directors of NI Holdings.

Brian R. Doom joined Nodak Mutual as Vice President of Finance and Chief Financial Officer in December 2005 and continues to hold that position. Mr. Doom began his insurance career at Iowa Mutual Insurance Company in 1977, serving in various positions. During the last seven years of his tenure at Iowa Mutual, he served as senior vice president, secretary/treasurer with responsibility for accounting, investments, information technology, reinsurance, and rate analysis. In January 2005, Mr. Doom joined Farmers Union Mutual Insurance Company in North Dakota where he served as controller and chief financial officer. He graduated from the University of Iowa with a Bachelor's degree in Business Administration and from Boston University with a Master of Science degree in Insurance Management.

Patrick W. Duncan joined Nodak Mutual in December 2005 as Vice President of Shared Service and continues to hold that position in which he is responsible for both the underwriting and claims processes. Mr. Duncan began his insurance career with United Farm Family Mutual Insurance Company in 1989 where he held several management positions, including commercial underwriting, personal lines underwriting, property/casualty claims, farm, and crop insurance. In addition, he held the position of product manager farm/crop and commercial, overseeing a \$110 million book of business. Mr. Duncan earned a Bachelor of Science degree in Actuarial Sciences from Indiana University.



**Strategic Goals and Objectives**

Nodak Mutual has exhibited a strong record of success in its primary markets over recent years based on key competitive strengths that include experienced management, strong capitalization, steadily increasing profitability, and a solid reserve position. Given its market presence in multiple states, the Company believes that it has ample opportunity to increase business in targeted markets organically. Strategies employed by Nodak Mutual to promote organic growth include the following:

- Continued emphasis on the relationship between Nodak Mutual and the North Dakota Farm Bureau, a key advocacy group for agricultural and rural interests that enjoys a high and favorable profile throughout North Dakota;
- Using the cost advantage created by the Company's low expense ratio compared to peers to selectively expand market share in its primary markets;
- Expansion and enhancement of agency relationships in Nebraska and South Dakota, including the use of technology such as mobile applications, on-line quoting, and policy issuance initiatives to make it easy for independent agents and insureds to do business with the Company;
- Selective expansion of Primero in its core markets of Nevada and Arizona as well as expansion of the non-standard automobile product in the Company's core upper Midwest market area;
- Excellent claims service for all insureds; and
- Selective expansion of Nodak Mutual's participation in the federal multi-peril crop insurance program where it has experience and expertise.

In addition to its organic growth strategies, Nodak Mutual also plans to continue to explore external growth through acquisitions. The Company believes that the additional capital it will raise through the Offering will help facilitate selective acquisition of complementary insurance businesses. Areas of interest include acquisition of a commercial writer and geographic expansion. The acquisition of a commercial writer would help Nodak Mutual better diversify its book of business among personal lines insurance, multi-peril crop insurance, and commercial lines insurance where it currently writes only a limited amount of business. Selective geographic expansion would help the Company diversify weather-related risk and catastrophe risk.

**Plan of Conversion**

As a mutual insurance company, Nodak Mutual has no shareholders, but it does have members. The members of Nodak Mutual are its policyholders. Like shareholders, the members have voting rights with respect to the election of directors of Nodak Mutual and any other matters submitted to the vote of members. Unlike shares held by shareholders, however, the memberships in Nodak Mutual are not transferable and do not exist separate from the related insurance policy issued by the Company. Therefore, these membership rights are extinguished when a policyholder cancels or does not renew the policy or the policy is otherwise terminated.

On January 21, 2016, Nodak Mutual's Board of Directors adopted a Plan of Mutual Property and Casualty Insurance Company Conversion and Minority Offering ("Plan of Conversion") by which Nodak Mutual will convert from a mutual insurance company to a stock insurance company and issue all of its outstanding capital stock to Nodak Mutual Group, which will then contribute all of such shares to NI Holdings. Following the Conversion, Nodak Insurance Company will be a wholly owned subsidiary of NI Holdings. In connection with its decision to convert from a mutual to a stock form of organization, the Board of Directors determined that engaging in a full mutual-to-stock conversion would raise more capital than it had current plans to prudently deploy. Accordingly, the Board of Directors concluded that a mutual holding company reorganization would be more appropriate because it would result in less capital being raised in comparison to a full mutual-to-stock conversion. Under a mutual holding company structure, the MHC must retain at least a majority of the voting rights of the insurance company or an intermediate holding company. The Company has chosen to sell 45% of its shares to the public in the Offering. As a result, the MHC will own 55% of NI Holdings, which will then own 100% of Nodak Mutual. The Company has chosen to offer 45% of NI Holdings rather than 49% because it provides the flexibility to issue authorized but unissued shares to fund its proposed equity incentive plan while maintaining the MHC's majority ownership position as required by North Dakota law.

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In accordance with the Plan of Conversion, subscription rights for the purchase of shares of common stock of NI Holdings have been granted to the following persons, listed in order of priority: (i) eligible members defined as policyholders of Nodak Mutual as of January 21, 2016; (ii) the Company's ESOP; and (iii) directors, officers, and employees of Nodak Mutual. In addition, NI Holdings may elect to offer the shares of common stock not subscribed for in the subscription offering, if any, for sale to members of the general public in a community offering commencing during or upon completion of the subscription offering and in a syndicated offering. NI Holdings has the right to accept or reject, in whole or in part, any order to purchase shares of common stock received in the community offering or syndicated offering or establish preferences for certain purchasers in the community offering.

As provided for in the Plan of Conversion, each eligible member is granted subscription rights and may either: (i) exercise such subscription rights in whole or in part, or (ii) elect, either affirmatively or by failing to exercise any of such eligible member's subscription rights, to have Nodak Mutual redeem for cash all, but not less than all, of such eligible member's subscription rights at a price equal to the subscription right value. Feldman Financial determined that the value of a subscription right was \$0.67 by applying the Black-Scholes option pricing methodology prescribed by the North Dakota insurance company conversion law.

After paying expenses related to the Offering and redeeming the subscription rights of eligible members who do not exercise their subscription rights, NI holdings will use a portion of the net proceeds received from the sale of shares of common stock in the Offering to make a \$2.4 million loan to the ESOP to permit it to purchase 240,000 shares in the Offering. NI Holdings expects to retain all of the remaining net proceeds at the holding company corporate level, except to the extent that it is required by the North Dakota Insurance Department to contribute a portion of the net proceeds to Nodak Insurance Company. Any remaining net proceeds retained at NI Holdings will be used for general corporate purposes, including paying dividends to shareholders, funding stock repurchases, and funding possible future acquisitions. On a short-term basis, the proceeds retained at NI Holdings will be invested primarily in U.S. government securities, other federal agency securities, and other securities consistent with its investment policy. Except as described above, NI Holdings currently has no specific plans, arrangements, or understandings regarding the use of the net proceeds from the Offering.

The remainder of Chapter I examines in more detail the trends addressed in this section, including the impact of changes in the Company's economic and competitive environment, and Nodak Mutual's recent financial performance. The discussion is supplemented by the exhibits in the Appendix. Exhibit III-1 displays the Company's unaudited consolidated balance sheets as of December 31, 2014 and 2015. Exhibit III-2 presents the Company's unaudited consolidated income statements for the years ended December 31, 2014 and 2015.

**Financial Condition**

Table 1 presents selected data concerning Nodak Mutual’s financial position as of December 31, 2014 and 2015. Exhibit III-1 presents the Company’s consolidated balance sheets as of December 31, 2014 and 2015. The financial data presentation for Nodak Mutual in the tables below and in Exhibits III-1 to III-3 is based on U.S. generally accepted accounting principles (“GAAP”). Combined statutory financial data for Nodak Mutual and its subsidiary and affiliated companies is included in Exhibit III-4 for a five-year overview of the Company’s operating trends on a consolidated basis.

**Table 1**  
**Consolidated Financial Condition Data**  
 As of December 31, 2014 and 2015  
 (Dollars in Thousands)

	December 31,	
	2015	2014
<b>Balance Sheet Data</b>		
Total assets	\$ 261,192	\$ 250,032
Total cash and investments	199,914	188,098
Premiums receivable	20,039	17,538
Reinsurance recoverable	5,259	7,114
Receivable from FCIC (1)	14,002	17,028
Total policy reserves (2)	45,330	50,508
Unearned premiums	53,487	49,895
Total liabilities	110,704	113,843
Total equity	150,488	136,189
Total equity / total assets	57.62%	54.47%
Cash and investments / total assets	76.54%	75.23%
Policy reserves / total assets	17.36%	20.20%

(1) Receivable from Federal Crop Insurance Corporation.

(2) Total policy reserves equal unpaid losses and loss adjustment expenses.

Source: Nodak Mutual, consolidated GAAP financial statements (unaudited).

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The Company's consolidated total assets increased by 4.5% from \$250.0 million at December 31, 2014 to \$261.2 million at December 31, 2015. The \$11.2 million increase in total assets primarily resulted from the profitable operations and positive cash flows experienced in 2015. Nodak Mutual reported net income of \$17.5 million for the year ended December 31, 2015. Total cash and investments increased by \$11.8 million from \$188.1 million at December 31, 2014 to \$199.9 million at December 31, 2015. Total cash and investments amounted to 76.5% of total assets at December 31, 2015, compared to 75.2% of total assets as of December 31, 2014. Premiums receivable increased from \$17.5 million (7.0% of total assets) at December 31, 2014 to \$20.0 million (7.7% of total assets) at December 31, 2015. Receivable from the FCIC declined from \$17.0 million (6.8% of total assets) at December 31, 2014 to \$14.0 million (5.4% of total assets) at December 31, 2015.

Total liabilities decreased by \$3.1 million or 2.8% from \$113.8 million at December 31, 2014 to \$110.7 million at December 31, 2015. The decrease in total liabilities was caused principally by the decrease in total policy reserves (unpaid losses and loss adjustment expenses), which was reflective of the timing of claims payments and favorable loss reserve development. Total policy reserves decreased by \$5.2 million from \$50.5 million at December 31, 2014 to \$45.3 million at December 31, 2015, while unearned premiums increased by \$3.6 million from \$49.9 million at year-end 2014 to \$53.5 million at year-end 2015.

With respect to its traditional property and casualty insurance products, Nodak Mutual maintains policy reserves for the payment of claims (indemnity losses) and expenses related to adjusting those claims (loss adjustment expenses). Nodak Mutual's loss reserves consist of case reserves, which are reserves for claims that have been reported to it, and reserves for claims that have been incurred but have not yet been reported and for the future development of case reserves ("IBNR reserves"). Nodak Mutual utilizes an independent actuary to assist with the estimation of its loss and loss adjustment expense reserves. This actuary prepares estimates of the ultimate liability for unpaid losses and loss adjustment expenses based on established actuarial methods. Nodak Mutual's management reviews these estimates and supplements the actuarial analysis with information not fully incorporated into the actuarially based estimate, such as changes in the external business environment and changes in internal company processes and strategy. Nodak Mutual may adjust the actuarial estimates based on this supplemental information in order to arrive at the amount recorded in the financial statements.

Losses on crop insurance for spring planted crops are identified and adjusted in the same calendar year. A farmer cannot make a claim of loss for spring planted crops after December 15 of the crop year. Therefore, there is no IBNR reserve reported by Nodak Mutual at year-end December 31 with respect to crop insurance. Rather, Nodak Mutual records a monthly estimate of crop insurance losses based primarily upon historical loss data with respect to the type and acreage of each crop planted. This amount is adjusted in the fourth quarter of each year based upon actual results for that calendar year. As of December 31, 2015, Nodak Mutual reported \$45.3 million in the aggregate amount of policy reserves which was distributed among \$1.2 million for crop insurance business (case reserves only), \$39.0 million in other property and casualty lines, and \$5.1 million in reinsurance recoverables. The level of policy reserves declined from \$50.5 million at year-end 2014 due to the crop and weather-related losses occurring in 2014.

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Insurance premiums on property and casualty policies are recognized in proportion to the underlying risk insured and are earned ratably over the duration of the policies. At the end of each accounting period, the portion of the premiums that is not yet earned is included in unearned premiums (reported as a liability on the balance sheets) and is realized as revenue in subsequent periods over the remaining term of the policy. Reflecting the upward trends in premium growth, the amount of unearned premiums increased by 7.2% from \$49.9 million to year-end 2014 to \$53.5 million at year-end 2015.

The Company's aggregate balance of cash and investment securities amounted to \$199.9 million at December 31, 2015 and constituted 76.5% of total assets. Nodak Mutual maintains a portion of its investments in relatively short-term and highly liquid assets to ensure the availability of funds for operating purposes. The Company's cash and cash equivalents amounted to \$14.5 million and total investment securities amounted to \$184.7 million at December 31, 2015. Exhibit III-3 presents the Company's investment securities portfolio as of December 31, 2015. Nodak Mutual's investment portfolio comprised \$153.4 million of bonds and \$31.2 million of common stocks as of year-end 2015. The fixed maturity portfolio primarily consisted of tax-exempt municipal, government agency, mortgage-backed, and investment grade corporate bonds. The common stock portfolio is composed of publicly traded issues and Farm Bureau related stocks.

Nodak Mutual's fixed maturity and equity investment securities are classified as available for sale and carried at estimated fair value as determined by management based upon quoted market prices or a recognized pricing service at the reporting date for those or similar investments. Changes in unrealized investment gains or losses on Nodak Mutual's investments, net of applicable income taxes, are reflected directly in equity as a component of comprehensive income (loss) and, accordingly, have no effect on earnings. Investment income is recognized when earned, and capital gains and losses are recognized when investments are sold or other-than-temporarily impaired. For the year ended December 31, 2015, Nodak Mutual's fixed income portfolio experienced net unrealized losses of \$2.6 million due to decreases in fair values. Most of the decrease in fair value in the fixed maturity portfolio was in industrial and miscellaneous fixed maturity investments as a result of increases in prevailing interest rates. For the year ended December 31, 2015, Nodak Mutual did not determine that any securities were other-than-temporarily impaired. For the year ended December 31, 2014, Nodak Mutual recognized impairments totaling \$150,000.



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In accordance with insurance industry practice, Nodak Mutual reinsures a portion of its loss exposure and pays to the reinsurers a portion of the premiums received on all policies reinsured. Insurance policies written by the Company are reinsured with other insurance companies principally to: (i) reduce net liability on individual risks; (ii) mitigate the effect of individual loss occurrences (including catastrophic losses); (iii) stabilize underwriting results; (iv) decrease leverage; and (v) increase underwriting capacity. Nodak Mutual ceded to reinsurers \$26.1 million and \$33.4 million of written premiums for the years ended December 31, 2014 and 2015, respectively. Nodak Mutual monitors the solvency of its reinsurers through regular review of their financial statements and, if available, their A.M. Best ratings. All of the Company's current reinsurance partners have at least an "A-" rating from A.M. Best. Reinsurance for multi-peril crop insurance is provided by the FCIC and a commercial stop loss contract.

Nodak Mutual's consolidated total equity, as measured under GAAP, increased from \$136.2 million at December 31, 2014 to \$150.5 million at December 31, 2015 as a result of profitable operating results for the year ended December 31, 2015. Concurrently, the Company's ratio of total equity to total assets advanced from 54.5% at December 31, 2014 to 57.6% at December 31, 2015. As of year-end 2015, the Company's total equity of \$150.5 million was composed of \$134.7 million in retained earnings, \$12.3 million in unrealized gains on securities, and \$3.5 million of minority interest.

## **Income and Expense Trends**

Table 2 displays Nodak Mutual's earnings results and selected operating ratios for the years ended December 31, 2014 and 2015. Table 3 presents the Company's underwriting performance and related ratios. Table 4 summarizes Nodak Mutual's direct premiums written ("DPW") by operating company and Table 5 presents a summary of direct premiums written by state. Exhibit III-2 displays the Company's unaudited consolidated income statements for the years ended December 31, 2014 and 2015. Nodak Mutual's operating results are influenced by factors affecting the property and casualty ("P&C") insurance industry in general. The performance of the P&C insurance industry is subject to significant variations due to competition, weather, catastrophic events, regulation, general economic conditions, judicial trends, fluctuations in interest rates, and other factors.

The Company's premium growth and underwriting results are influenced by market conditions. Pricing in the P&C insurance industry historically has been cyclical with the financial performance of insurers fluctuating from periods of low premium rates and excess underwriting capacity resulting from increased competition (soft market), followed by periods of high premium rates and a shortage of underwriting capacity resulting from decreased competition (hard market).

The markets that Nodak Mutual serves and national property and casualty insurance markets are currently experiencing a stable market cycle. The Company believes that market conditions have remained moderately stable after experiencing much cyclicity from 2000 to 2010. Within the crop insurance segment of the P&C industry, total crop insurance premiums written each year vary mainly based on prevailing commodity prices for the types of crops insured and the number of acres planted because the pricing is set by the RMA.

**Table 2**  
**Consolidated Income Statement Data**  
For the Years Ended December 31, 2014 and 2015  
(Dollars in Thousands)

	For the Years Ended December 31,	
	2015	2014
<b>Income Statement Data</b>		
Direct premiums written	\$ 172,775	\$ 156,035
Net premiums written	143,065	134,192
Net premiums earned	\$ 139,473	\$ 131,947
Investment income	4,184	4,133
Net realized gains on investments	962	1,519
Other revenue	1,854	465
Total revenue	<u>146,473</u>	<u>138,064</u>
Losses and loss adjustment expenses	83,876	89,306
Acquisition and other underwriting expenses	36,499	28,179
Total expenses	<u>120,375</u>	<u>117,485</u>
Income before income taxes	26,098	20,579
Income tax expense	8,417	7,176
Net income before minority interest	17,681	13,403
Net income attributable to minority interest	129	(15)
Net income	<u>\$ 17,552</u>	<u>\$ 13,418</u>
<b>Profitability Ratios</b>		
Return on average assets	6.87%	5.55%
Return on average equity	12.25%	10.48%

Source: Nodak Mutual, consolidated GAAP financial statements (unaudited).

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Nodak Mutual recorded net income of \$17.6 million in the year ended December 31, 2015 as compared to net income of \$13.4 million for the year ended December 31, 2014. The Company experienced considerable improvement in premium growth and underwriting profits in 2015. The \$4.1 million or 30.8% increase in earnings for 2015 was attributable primarily to a \$7.5 million increase in net premiums earned and a \$5.4 million decrease in losses and loss adjustment expenses, offset partially by a \$8.3 million increase in acquisition and other underwriting expenses. Nodak Mutual's return on average assets ("ROA") increased from 5.55% in 2014 to 6.87% in 2015, while its return on average equity ("ROE") advanced from 10.48% in 2014 to 12.25% in 2015.

Total revenue increased to \$146.5 million in 2015, which was \$8.4 million or 6.1% greater than the \$138.1 million in total revenue reported in 2014. Net premiums earned increased by 5.7% from \$131.9 million in 2014 to \$139.5 million in 2015, primarily due to growth in the Company's personal lines business outside of North Dakota. While the crop insurance line of business remains an important component of Nodak Mutual's aggregate premium total, this segment has composed a gradually declining percentage of total premiums and averaged approximately 40% of direct premiums written over the past four years.

Net investment income increased by \$511,000 or 1.2% from \$4.1 million in 2014 to \$4.2 million in 2015. The average balance of cash and invested assets increased from \$183.5 million in 2014 to \$198.0 million in 2015. The weighted average yield on invested assets decreased from 2.3% in 2014 to 2.1% in 2015 as higher yielding fixed maturity securities matured and were replaced with lower yielding securities. Nodak Mutual realized net investment gains of \$962,000 for the year ended December 31, 2015, compared to net investment gains of \$1.5 million for the year ended December 31, 2014.

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A key measurement of the profitability of any insurance company for any period is its combined ratio, which is equal to the sum of its loss ratio and its expense ratio. However, investment income, federal income taxes and other non-underwriting income or expense are not reflected in the combined ratio. The profitability of property and casualty insurance companies depends on income from underwriting, investment, and service operations. Underwriting results are considered profitable when the combined ratio is under 100% and unprofitable when the combined ratio is over 100%. Table 4 provides additional underwriting performance data for Nodak Mutual in the years ended December 31, 2014 and 2015.

Losses and loss adjustment expenses declined by 6.1% from \$89.3 million in 2014 to \$83.9 million in 2015. Nodak Mutual's loss ratio decreased to 60.1% in 2015, compared to 67.7% for 2014, primarily due to decreased losses on its crop insurance products. The Company also realized favorable development on prior accident years of \$9.1 million in 2015 with respect to its traditional property and casualty products. The net favorable development for the year 2015 is primarily the result of prior years' claims settling for less than originally estimated. Adjustments to the Company's original estimates resulting from claims are not made until the period in which there is reasonable evidence that an adjustment to the reserve is appropriate.

Acquisition and other underwriting expenses increased by \$8.3 million or 29.5% from \$28.2 million in 2014 to \$36.5 million in 2015. The Company's expense ratio increased from 21.4% in 2014 to 26.2% in 2015. Contributing to the increase in the expense ratio was an increase in the amount of premiums ceded that has the effect of lowering the amount of net premiums earned, which is the denominator in the expense ratio calculation. Despite the increase in the expense ratio for 2015, the Company's combined ratio declined to 86.3% in 2015 from 89.0% in 2014 as a result of the decrease in the loss ratio.

**Table 3**  
**Underwriting Performance Data**  
For the Years Ended December 31, 2014 and 2015  
(Dollars in Thousands)

	For the Years Ended December 31,	
	2015	2014
<b>Selected Income Statement Data</b>		
Net premiums earned	\$ 139,473	\$ 131,947
Losses and loss adjustment expenses	83,876	89,306
Acquisition and other underwriting expenses	36,499	28,179
Total losses and expenses	120,375	117,485
Underwriting profit	<u>\$ 19,098</u>	<u>\$ 14,462</u>
<b>Underwriting Ratios</b>		
Loss ratio (1)	60.1%	67.7%
Expense ratio (2)	26.2%	21.4%
Combined ratio (3)	86.3%	89.0%

(1) Losses and loss adjustment expenses divided by net premiums earned.

(2) Underwriting and other expenses divided by net premiums earned.

(3) Sum of the loss ratio and the expense ratio.

Source: Nodak Mutual, consolidated GAAP financial statements (unaudited).

The Company's income before income taxes increased by \$5.5 million or 26.8% from \$20.6 million in 2014 to \$26.1 million in 2015. The improvement in pre-tax earnings resulted from the \$8.4 million increase in total revenue exceeding the \$2.9 million increase in total expenses. Income tax expense amounted to \$8.4 million in 2015, reflecting an effective income tax rate of approximately 32.3%. The amount of income attributable to minority interest was \$129,000 in 2015. After adjusting pre-tax earnings for these factors, the Company's net income for 2015 amounted to \$17.6 million in 2015 as compared to \$13.4 million in 2014.

As shown in Table 4, Nodak Mutual is the primary revenue generator among the individual operating companies that comprise the consolidated Nodak Mutual group. The direct premiums written of the individual Nodak Mutual unit totaled 76.5% of the Company's overall direct premiums written in 2015 with a predominant amount (99.7%) generated in North Dakota as illustrated in Table 5. Battle Creek contributed 12.0% of the Company's overall DPW in 2015 with all of its premiums generated in Nebraska. As discussed earlier, all of Battle Creek's premiums, losses and LAE, and underwriting expenses are ceded to Nodak Mutual. Primero contributed 6.5% of the Company's overall DPW in 2015 with 71.0% of its premiums generated in Nevada and the remainder distributed among Arizona, South Dakota, and North Dakota. American West contributed 5.0% of the Company's overall DPW in 2015 with its premiums generated in the upper Midwest states of Minnesota, North Dakota, and South Dakota. The acquisition and expansion of the affiliated insurance units have helped to diversify the geographic composition of Nodak Mutual's premium base as reflected by the decline in the total DPW in North Dakota from 91.0% of the consolidated total DPW in 2012 to 76.5% of the corresponding total in 2015.

**Table 4**  
**Summary of Premium Data by Operating Company**  
 For the Years Ended December 31, 2014 and 2015  
 (Dollars in Thousands)

	For the Years Ended			
	December 31,			
	2015		2014	
	Amount	%	Amount	%
<b>Direct Premiums Written</b>				
Nodak Mutual	\$ 132,138	76.48	\$ 131,329	84.17
American West	8,702	5.04	7,935	5.09
Battle Creek (1)	20,662	11.96	15,970	10.23
Primero	11,273	6.52	801	0.51
Total Direct Premiums Written	<u>\$ 172,775</u>	<u>100.00</u>	<u>\$ 156,035</u>	<u>100.00</u>
<b>Net Premiums Written</b>				
Nodak Mutual	\$ 124,924	87.32	\$ 126,648	94.38
American West	6,868	4.80	6,743	5.02
Primero	11,273	7.88	801	0.60
Total Net Premiums Written	<u>\$ 143,065</u>	<u>100.00</u>	<u>\$ 134,192</u>	<u>100.00</u>
<b>Net Premiums Earned</b>				
Nodak Mutual	\$ 121,534	87.14	\$ 124,426	94.30
American West	6,563	4.71	6,712	5.09
Primero	11,376	8.16	809	0.61
Total Net Premiums Earned	<u>\$ 139,473</u>	<u>100.00</u>	<u>\$ 131,947</u>	<u>100.00</u>

(1) Direct premiums written by Battle Creek are ceded to Nodak Mutual.

Source: Nodak Mutual, internal financial data (unaudited).



**Table 5**  
**Summary of Premium Data by State**  
 For the Year Ended December 31, 2015  
 (Dollars in Thousands)

	Operating Company Unit				Consolidated Nodak Mutual
	Nodak Mutual	American West	Battle Creek	Primero	
<b>DPW by State</b>					
North Dakota	\$ 131,702	\$ 2,380	\$ -	\$ 375	\$ 134,457
South Dakota	-	2,755	-	2,227	4,982
Minnesota	436	3,567	-	-	4,003
Nebraska	-	-	20,662	-	20,662
Nevada	-	-	-	8,007	8,007
Arizona	-	-	-	664	664
Total Amount	<u>\$ 132,138</u>	<u>\$ 8,702</u>	<u>\$ 20,662</u>	<u>\$ 11,273</u>	<u>\$ 172,775</u>
<b>% of DPW by Unit</b>					
North Dakota	99.7	27.4	-	3.3	77.8
South Dakota	-	31.7	-	19.8	2.9
Minnesota	0.3	41.0	-	-	2.3
Nebraska	-	-	100.0	-	12.0
Nevada	-	-	-	71.0	4.6
Arizona	-	-	-	5.9	0.4
Total Percent	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
<b>% of Total DPW</b>					
North Dakota	76.2	1.4	-	0.2	77.8
South Dakota	-	1.6	-	1.3	2.9
Minnesota	0.3	2.1	-	-	2.3
Nebraska	-	-	12.0	-	12.0
Nevada	-	-	-	4.6	4.6
Arizona	-	-	-	0.4	0.4
Total Percent	<u>76.5</u>	<u>5.0</u>	<u>12.0</u>	<u>6.5</u>	<u>100.0</u>

Source: Nodak Mutual, internal financial data (unaudited).

**Statutory Financial Data Overview**

State insurance laws and regulations require Nodak Mutual to file financial statements with state insurance departments everywhere it does business, and the operations of Nodak Mutual are subject to examination by those departments. Nodak Mutual prepares statutory financial statements in accordance with accounting practices and procedures prescribed or permitted by these departments. Certain accounting standards differ under statutory accounting practices (“SAP”) as compared to GAAP. For example, premium income is recognized on a pro rata basis over the term covered by the insurance policy, while the related acquisition costs are expensed when incurred under SAP. Under GAAP, both premium income and the related policy acquisition costs are recognized on a pro rata basis over the term of the insurance policy. Therefore, the SAP data for Nodak Mutual does not correspond to the GAAP presentation.

Exhibit III-4 presents summary statutory financial data for Nodak Mutual and its affiliated companies over the five-year period from 2011 to 2015. The statutory financial presentation reflects an aggregation of the financial data for the various operating units that compose the Nodak Mutual group of companies. As illustrated, the Company reported positive earnings in four consecutive years from 2012 to 2015 after sustaining a net loss in 2011. Underwriting profits were positive from 2012 to 2015 following an underwriting deficit in 2011 due to severe weather-related losses. Over the past four years, the Company’s loss and LAE ratio averaged 65.9%, its expense ratio averaged 23.2%, and the combined ratio averaged 90.1%. Underwriting profits were supplemented by net investment income, net realized investment gains, and other revenue from finance service charges. The series of yearly operating profits resulted in a steady increase in the Company’s statutory surplus from \$83.0 million at year-end 2011 to \$141.3 million at year-end 2015.

## **II. INDUSTRY FUNDAMENTALS**

### **Financial Strength Ratings by A.M. Best**

A.M. Best is a widely recognized rating agency dedicated to the insurance industry. A.M. Best provides ratings that indicate the financial strength of insurance companies. The objective of A.M. Best's rating system is to provide an independent opinion of an insurer's financial strength and its ability to meet ongoing obligations to policyholders. The assigned financial strength rating is derived from an in-depth evaluation and analysis of a company's balance sheet strength, operating performance, and business profile. A.M. Best's ratings scale is comprised of fifteen individual ratings grouped into nine categories (excluding suspended ratings). The A.M. Best ratings discussed below are established separately for Nodak Mutual, Battle Creek, and America West. Primero is not currently rated by A.M. Best.

A.M. Best has provided ratings and analysis on Nodak Mutual since 1951. A.M. Best currently assigns financial strength ratings of A (Excellent) to Nodak Mutual and Battle Creek, effective February 29, 2016. The rating of A (Excellent) is the third highest of fifteen ratings and the category of "Excellent" represents the second highest of nine categories. Insurance companies rated A are considered by A.M. Best to have "an excellent ability to meet their ongoing obligations to policyholders." The recent financial strength rating for Nodak Mutual represented an affirmation of the A (Excellent) rating issued by A.M. Best on February 6, 2015. The most recent rating upgrade for Nodak Mutual occurred on February 6, 2013 when A.M. Best revised the Company's financial strength rating from A- (Excellent) to A (Excellent). According to A.M. Best, the outlook on the financial strength ratings for Nodak Mutual and Battle Creek remains stable.

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Concurrently on February 29, 2016, A.M. Best affirmed the issuer credit rating of “a” and revised the issuer credit rating outlook to positive from stable for both Nodak Mutual and Battle Creek. A.M. Best also affirmed the financial strength rating of B++ (Good) for American West and revised the outlook to positive from stable. The issuer credit rating of “bbb+” was affirmed for American West and the outlook revised to positive from stable.

In its analysis of Nodak Mutual, A.M. Best cited as positive factors the Company’s strong capitalization, favorable operating results, and its market profile as one of the leading writers of property and casualty insurance in North Dakota. A.M. Best highlighted specific competitive advantages enjoyed by Nodak Mutual, including its established market presence, cost-effective distribution network, and important familiarity with local market and product segments. Nodak Mutual reported consecutive positive earnings results and statutory surplus growth in four of the past five years. A.M. Best noted as a concern the Company’s concentration of business in North Dakota, which amplifies the potential exposure to weather-related events as well as adverse judicial and regulatory actions. A.M. Best took note of the fact that the Company has attempted to broaden its product line and geographic concentration through the recent acquisition of Primero, which writes non-standard automobile coverage primarily in Nevada.

According to A.M. Best, the potential for future rating upgrades for Nodak Mutual is related to the Company continuing to maintain strong capitalization and solid operating performance. The potential for negative action would be related to an unexpected and significant decline in risk-adjusted capitalization or a downward spiral in operating performance. The results of the Company’s diversification and expansion strategies could also impact any future rating determinations by A.M. Best.

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The positive rating outlook for American West was reflective of its continued solid capitalization and positive operating performance. A.M. Best also noted that American West benefits from the support provided by Nodak Mutual, inclusive of the important areas of enterprise risk management and reinsurance participation. A.M. Best mentioned as ongoing concerns for American West the geographic concentration of risk, limited product offerings, and business presence in South Dakota, Minnesota, and North Dakota, which subjects American West to frequent and severe weather-related events.

### **Industry Performance and Investment Outlook**

The property and casualty segment of the insurance industry provides protection from risk into two basic areas. In general, property insurance protects an insured against financial loss arising out of loss of property or its use caused by an insured peril. Casualty insurance protects the insured against financial loss arising out of the insured's obligation to others for loss or damage to persons, including, with respect to workers compensation insurance, persons who are employees, or property. There are approximately 3,000 companies providing property and casualty insurance coverage in the United States. About 100 of these companies provide the majority of the property and casualty coverage.

Historically, the financial performance of the P&C insurance industry has tended to fluctuate in cyclical periods of aggressive price competition and excess underwriting capacity (known as a soft market), followed often by periods of high premium rates and shortages of underwriting capacity (or a hard market). Although an individual insurance company's financial performance is dependent on its own specific business characteristics, the profitability of most property and casualty insurance companies tends to follow this cyclical market pattern. During soft market conditions, premium rates are stable or falling and insurance coverage is readily available. During periods of hard market conditions, coverage may be more difficult to find and insurers increase premiums or exit unprofitable areas of business. Following several years of heavy catastrophe losses in 2011-2012, industry premium rates have firmed and the rebounding economy has helped spur the demand for insurance.

According to the Insurance Services Office Inc. (“ISO”), the P&C industry experienced net written premium growth of 2.9% in 2011, 3.4% in 2012, and 4.4% in 2013, evidencing an improving insurance pricing environment. The industry’s largest sector, personal lines, accounted for approximately 42% of the total industry premium volume in 2013. The commercial lines sector accounted for approximately 35% of the total industry written premiums with balanced lines underwriters, who write a combination of personal and commercial lines coverage, accounting for the remaining 23%.

Underwriting results were unprofitable for the U.S. property and casualty insurance industry from 2008 to 2012, but turned positive in 2013 as the industry’s combined ratio improved from 102.9% in 2012 to 96.2% in 2013 and incurred losses declined by 6.6% to \$259.3 billion in 2013 from \$277.7 billion in 2012. The industry’s loss ratio improved from 74.2% in 2012 to 67.3% in 2013, and the expense ratio held steady at 28.2% for both periods. While a drop in catastrophe losses affected results for many industry participants, some broad-based improvements in a number of lines of coverage also drove the improved operating results.

Net investment income is an important revenue source for P&C insurers, historically accounting for 15%-20% of total revenues. For most insurers, cash flows available for investment have stabilized although persistently low investment yields continue to pressure investment income results. Net realized investment gains have increased in recent years on the heels of surging securities market valuations.

United States P&C insurers experienced continued profitability in 2014 but with declining results. Net written premium growth slowed slightly from 4.4% in 2013 to 4.1% in 2014 and the industry’s combined ratio increased from 96.2% in 2013 to 97.0% in 2014. The P&C industry’s profitability, premium growth, and underwriting ratios all performed better in 2014 than long-term historical averages due largely to moderate catastrophe losses and continued reserve release. However, the industry’s earnings declined by 12.5% in 2014 and the return on equity fell to 8.2% in 2014 from 9.8% in 2013.

The P&C industry profits increased by 16.5% to \$44.0 billion in the first nine months of 2015 from \$37.8 billion in the first nine months of 2014. Net income reached its highest nine-month level since the \$49.6 billion recorded for nine-months 2007. P&C insurers' overall profitability as measured by their annualized return on average equity grew to 8.8% in nine-months 2015 from 7.6% in nine-months 2014. Improvements in underwriting results and elevated investment gains contributed to the higher level of earnings. Insurers' combined ratio improved to 96.9% for the first nine months of 2015 from 97.7% in the same period of 2014. It is clear that combined ratios must be lower in the current suppressed interest rate environment in order for P&C insurers to generate competitive returns. The annualized yield on insurers' investments in nine-months 2015 was 3.1%, below the long-term average investment yield of 5.1% from 1960 to 2014.

Standard & Poor's ("S&P") fundamental investment outlook for the P&C insurance industry is currently positive. Although S&P expects a more competitive pricing environment to impact the degree to which insurers are able to raise rates, it anticipates that the overall operating climate for the P&C industry will remain stable. S&P notes that the degree to which demand for certain types of insurance products, particularly those in the commercial lines area, increases will depend on the health of the broader economy in the United States and globally. Reserve releases are expected to taper off gradually, but will continue to benefit the bottom line and combined ratio through at least 2016.

The industry's strong capital position suggests insurers are in a good position to increase risk appetite, repurchase shares, and pursue acquisitions. In addition to the excess capital in the industry, merger and acquisition activity has also been stimulated by a drive for growth in response to slow top-line (premium) growth and curtailed earnings expansion and a desire to realize economies of scale. Acquiring companies are also motivated by low interest rates that facilitate attractive debt financing for merger transactions.



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S&P forecasts that a softening of certain rates (particularly in the commercial lines segment), partly offset by an uptick in demand, should propel net written premiums by approximately 3% to 4% in 2016. S&P notes that because of the excess underwriting capacity currently in the P&C industry, opportunities exist for stronger capitalized and expansion oriented insurers to gain market share at the expense of more financially strained competitors. Operating profitability in many segments of the P&C industry is heavily influenced by the level of weather and catastrophe losses. Barring a surge in catastrophes, S&P expects underwriting results to remain profitable in 2016 for the P&C industry.

### **III. COMPARISONS WITH PUBLICLY TRADED COMPANIES**

#### **General Overview**

The comparative market approach provides a sound basis for determining estimates of going-concern valuations where a regular and active market exists for the stocks of peer institutions. The comparative market approach was utilized in determining the estimated pro forma market value of Nodak Mutual because: (i) reliable market and financial data are readily available for comparable institutions, and (ii) the comparative market method has been widely accepted as a valuation approach by the applicable regulatory authorities. The generally employed valuation method in initial public offerings (“IPOs”), where possible, is the comparative market approach, which also can be relied upon to determine pro forma market value in an insurance company stock conversion.

The comparative market approach derives valuation benchmarks from the trading patterns of selected peer institutions that, due to certain factors such as financial performance and operating strategies, enable the appraiser to estimate the potential value of the subject institution in a mutual-to-stock conversion offering. In Chapter III, our valuation analysis focuses on the selection and comparison of the Company with a comparable group of publicly traded insurance companies (the “Comparative Group”). Chapter IV will detail any additional discounts or premiums that we believe are appropriate to the Company’s pro forma market value.

We considered other conventional valuation methodologies in the course of determining the Company's estimated pro forma market value. Various income approaches include a capitalization of earnings and a discounted cash flow analysis and reflect the economic principle that the value of a subject investment, or subject business interest, is the present value of the economic income expected to be generated by the investment. The income capitalization approach relies on either a single period or multiple periods considered to be representative of recurring benefits, which are capitalized by a capitalization rate chosen from comparable companies or from risk-adjusted rates of return required by investors in a particular line of business. When multiple periods are used, income is estimated for several future periods. This income is discounted to the present time period, with or without a terminal value, depending upon the circumstances of the particular company.

Due to the unpredictable nature of earnings in the P&C industry, primarily because of potential catastrophic events, and the lack of long-term income projections for Nodak Mutual, we did not utilize an income approach. Furthermore, a large number of publicly traded insurance companies are represented in the stock market, are widely followed by analysts and investors, and are traded actively. The trading characteristics of these public companies allow analysts and investors to gain and apply knowledge about the comparative fundamentals of these companies as they relate to financial performance and market valuations.

Asset-based valuation approaches may be either on a going concern, orderly disposition, or forced liquidation basis. Going concern asset-based valuations are often used in the case of companies that hold readily marketable assets such as an investment company. Nodak Mutual holds assets for the purpose of producing income to support its insurance operations. While a portion of Nodak Mutual's assets are readily marketable, its primary business is not investment in assets for resale. Financial service companies are rarely valued on the basis of their assets at liquidation value or the disposal of individual assets or groups of assets. While the stock market may use a concept of "book value" as a pricing benchmark, few investors recognize the overall value of a financial service company as being its net book value at any point in time because of the significant differences in composition of balance sheet assets and liabilities and risks associated with business, market, credit, and interest rate factors that the concept of simple "book value" does not fully recognize. For an insurance company such as Nodak Mutual, the asset-based approach could lead to valuation conclusions that do not fully take into account the enterprise as a whole and the accompanying intangible benefits or risk factors related to the business franchise. Therefore, we have elected not to utilize this approach and have concentrated on the comparative market approach.

## **Selection Criteria**

Selected market price and financial performance data for insurance companies listed on the New York and NYSE MKT Stock Exchanges or traded on the NASDAQ Stock Market are shown in Exhibit IV as compiled from data obtained from SNL Financial LC (“SNL Financial”), a leading provider of financial and market data focused on financial services industries, including banks and insurance companies. The overall insurance industry is differentiated by SNL Financial into six market segments: (i) life and health, (ii) managed care, (iii) mortgage and financial guaranty, (iv) multi-line, (v) property and casualty, and (vi) title. For purposes of this selection screening, we focused exclusively on publicly traded insurance companies based in the United States and included in the property and casualty segment (“Public P&C Insurance Group”). Several criteria, discussed below, were used to select the individual members of the Comparative Group from the overall universe of publicly traded insurance companies.

- Operating characteristics – A company’s operating characteristics are the most important factors because they affect investors’ expected rates of return on a company’s stock under various business and economic scenarios, and they influence the market’s general perception of the quality and attractiveness of a given company. Operating characteristics, which may vary in importance during the business cycle, include financial variables such as profitability, capitalization, growth, risk exposure, liquidity, and other factors such as lines of business and management strategies.
- Degree of marketability and liquidity – Marketability of a stock reflects the relative ease and promptness with which a security may be sold when desired, at a representative current price, without material concession in price merely because of the necessity of sale. Marketability also connotes the existence of buying interest as well as selling interest and is usually indicated by trading volumes and the spread between the bid and asked price for a security. Liquidity of the stock issue refers to the organized market exchange process whereby the security can be converted into cash. We attempted to limit our selection to companies that have access to a regular trading market or price quotations. We excluded from the Comparative Group and the Public P&C Insurance Group those companies that are sellers in pending acquisitions that have been previously announced.

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In determining the Comparative Group composition, we focused primarily on Nodak Mutual's asset size, market segment, and product lines. Attempting to concentrate on the Company's financial characteristics and enlarge the Comparative Group to obtain a meaningful statistical cluster of companies, we broadened the size range criterion to encompass a statistically significant number of companies. In addition, due to the ongoing consolidation activity within the insurance industry, we sought to include a sufficient number of companies in the event that one or several members are subsequently subject to acquisition as we update this Appraisal prior to completion of the Conversion.

Of the 48 companies composing the Public P&C Insurance Group as of April 29, 2016, there were only eight insurers with total assets under \$500 million. The median asset size of the overall Public P&C Insurance Group was \$3.3 billion and the average size was even larger at \$35.0 billion, skewed by behemoth companies such as Berkshire Hathaway and American International Group with total assets each approaching or exceeding \$500 billion. We applied the following selection criteria and focused principally on companies concentrated in the lower quartile of the Public P&C Insurance Group based on asset size:

- Publicly traded – stock-form insurance company whose shares are traded on New York Stock Exchange, NYSE MKT, or NASDAQ Stock Market.
- Market segment – insurance underwriter whose primary market segment is listed as property and casualty by SNL Financial.
- Non-acquisition target – not subject to an announced or pending acquisition.
- Seasoned trading history – publicly traded for at least one year.
- Current financial data – publicly reported financial data on a GAAP basis available for the last twelve months (“LTM”) ended December 31, 2015.
- Asset size – total assets between \$100 million and \$1.6 billion.

As a result of applying the above criteria, the screening process produced a reliable representation of publicly traded insurance companies for valuation purposes. Fifteen public companies met all of the criteria outlined on the previous page. We included in the Comparative Group each of the eight companies that had assets under \$800 million and also met the other criteria. In selecting the remainder of the Comparative Group, we focused on excluding companies that would result in an undue geographic concentration in one state (Florida) or whose product lines were not sufficiently broad. Within the collection of seven companies meeting the previous criteria and exhibiting an asset size between \$800 million and \$1.6 billion, we selected four additional companies.

A general operating summary of the twelve companies selected for the Comparative Group is presented in Table 6. In focusing on smaller publicly traded companies, the Comparative Group includes a total of five companies with total assets less than \$500 million (Atlas Financial Holdings, First Acceptance Corporation, Kingstone Companies, National Security Group, and Unico American Corporation) and three companies with assets between \$500 million and \$800 million (Federated National Holding Company, HCI Group, and United Insurance Holdings Corp.). In addition, three of the Comparative Group companies are based in the Midwest region (Atlas Financial Holdings in Illinois, Baldwin & Lyons in Indiana, and EMC Insurance Group in Iowa), similar to Nodak Mutual. While no single company constitutes a perfect comparable and differences inevitably exist between the Company and the individual companies, we believe that the chosen Comparative Group on the whole provides a meaningful basis of financial comparison for valuation purposes. Summary operating profiles of the publicly traded insurance companies selected for the Comparative Group are presented in the next section beginning on pages 51 to 58.

**Table 6**  
**General Operating Summary of the Comparative Group**  
As of December 31, 2015

	State	Ticker	Exchange	IPO Date	Total Assets (\$mil.)	Total Equity (\$mil.)	Total Equity/Assets (%)
Nodak Mutual Insurance Company	ND	NA	NA	NA	261.2	150.5	57.62
Comparative Group Median	NA	NA	NA	NA	637.6	238.5	31.91
Comparative Group Mean	NA	NA	NA	NA	708.5	225.9	33.20
<b>Comparative Group</b>							
Atlas Financial Holdings, Inc.	IL	AFH	NASDAQ	03/18/10	411.6	129.6	31.49
Baldwin & Lyons, Inc.	IN	BWINB	NASDAQ	NA	1,085.8	394.5	36.33
Donegal Group Inc.	PA	DGICA	NASDAQ	NA	1,537.8	408.4	26.56
EMC Insurance Group Inc.	IA	EMCI	NASDAQ	02/04/82	1,536.0	524.9	34.18
Federated National Holding Company	FL	FNHC	NASDAQ	11/05/98	638.3	250.8	39.29
First Acceptance Corporation	TN	FAC	NYSE	NA	402.1	103.7	25.78
Hallmark Financial Services, Inc.	TX	HALL	NASDAQ	NA	1,076.6	262.0	24.34
HCI Group Inc.	FL	HCI	NYSE	07/24/08	637.0	237.7	37.32
Kingstone Companies, Inc.	NY	KINS	NASDAQ	NA	149.1	45.3	30.36
National Security Group, Inc.	AL	NSEC	NASDAQ	NA	148.1	44.9	30.31
Unico American Corporation	CA	UNAM	NASDAQ	NA	140.2	70.3	50.18
United Insurance Holdings Corp.	FL	UIHC	NASDAQ	10/04/07	740.0	239.2	32.32

Source: Nodak Mutual; SNL Financial.

**Summary Profiles of the Comparative Group Companies**

**Atlas Financial Holdings, Inc.** (NASDAQ: AFH) – Elk Grove Village, Illinois

Atlas Financial Holdings, Inc. (“Atlas Financial”) is a financial services holding company whose core business is the underwriting of commercial automobile insurance policies, focusing on the “light” commercial automobile sector, which is carried out through its insurance subsidiaries, American Country Insurance Company (“American Country”), American Service Insurance Company, Inc. (“American Service”), Gateway Insurance Company (“Gateway”), and Global Liberty Insurance Company of New York (“Global Liberty”). This insurance sector includes taxicabs, non-emergency paratransit, limousine, livery, and business automobile. Atlas Financial was originally formed in 2009 and completed a reverse merger in 2010 wherein American Service and American Country were sold to Atlas Financial by Kingsway America Inc. American Country commenced operations in 1979. In 1983, American Service was established as a non-standard personal and commercial automobile insurer writing business in the Chicago, Illinois area. Gateway was acquired in 2013 and provides specialized commercial automobile insurance to niche markets such as taxi, black car, and sedan service. In March 2015, Atlas Financial completed the acquisition of Global Liberty, whose primary business focus is the for-hire-livery vehicle market in the New York metropolitan area. American Country, American Service, and Gateway carry current financial strength ratings from A.M. Best of B (Fair) with a stable outlook, while Global Liberty is rated B+ (Good) with a stable outlook. As of December 31, 2015, Atlas Financial had total assets of \$411.6 million, total policy reserves of \$235.2 million, total equity of \$129.6 million, LTM total revenue of \$156.9 million, and LTM net income of \$14.4 million.

**Baldwin & Lyons, Inc.** (NASDAQ: BWINB) – Indianapolis, Indiana

Through its subsidiaries, Baldwin & Lyons, Inc. (“Baldwin & Lyons”) engages in marketing and underwriting property and casualty insurance and the assumption of property and casualty reinsurance. Subsidiaries of Baldwin & Lyons include Protective Insurance Company, Protective Specialty Insurance Company, Sagamore Insurance Company, Baldwin & Lyons Brokerage Services, Inc., and Baldwin & Lyons Insurance, Ltd. Baldwin & Lyons provides coverage for larger companies in the motor carrier industry that retain substantial amounts of self-insurance, for independent contractors utilized by trucking companies, for medium-sized and small trucking companies on a first dollar or small deductible basis, and for public livery concerns, principally covering fleets of commercial buses. The principal types of fleet transportation insurance marketed by Baldwin & Lyons are commercial motor vehicle liability, physical damage and other liability insurance; workers compensation insurance; specialized accident insurance for independent contractors; non-trucking motor vehicle liability insurance for independent contractors; fidelity and surety bonds; inland marine consisting principally of cargo insurance; and captive insurance company products that are provided through a subsidiary in Bermuda. The capital structure of Baldwin & Lyons includes Class A and Class B common stock. The Class A and Class B shares have identical rights and privileges except that Class B shares have no voting rights. Protective Insurance Company, the main insurance subsidiary of Baldwin & Lyons, carries a current financial strength rating of A+ (Superior) from A.M. Best with a stable outlook. As of December 31, 2015, Baldwin & Lyons had total assets of \$1.1 billion, total policy reserves of \$538.9 million, total equity of \$394.5 million, LTM total revenue of \$280.3 million, and LTM net income of \$23.3 million.



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### **Donegal Group, Inc.** (NASDAQ: DGICA) – Marietta, Pennsylvania

Donegal Group, Inc. (“Donegal Group”) is as an insurance holding company whose insurance subsidiaries offer personal and commercial lines of property and casualty insurance to businesses and individuals in 21 Mid-Atlantic, Midwestern, New England, and Southern states. Donegal Group owns insurance subsidiaries domiciled in the states of Iowa, Maryland, Michigan, Pennsylvania, Virginia and Wisconsin. For the year ended December 31, 2015, Donegal Group’s direct premiums were generated primarily in the states of Pennsylvania (36.6%), Michigan (16.1%), Virginia (8.8%), Maryland (8.8%), Georgia (6.0%), and Delaware (5.6%). Donegal Group’s insurance subsidiaries derive a substantial portion of their insurance business from smaller to mid-sized regional communities. Donegal Group believes this focus provides its insurance subsidiaries with competitive advantages in terms of local market knowledge, marketing, underwriting, claims servicing, and policyholder service. At the same time, Donegal Group believes its insurance subsidiaries have cost advantages over many smaller regional insurers that result from economies of scale they realize through centralized accounting, administrative, data processing, investment, and other services. Donegal Group has been an active consolidator of smaller “Main Street” property and casualty insurance companies. The personal lines products offered by Donegal Group consist primarily of homeowners and private passenger automobile policies, while the commercial lines products consist primarily of commercial automobile, commercial multi-peril, and workers compensation policies. Donegal Group’s insurance subsidiaries carry current financial strength ratings of A (Excellent) from A.M. Best with a stable outlook. As of December 31, 2015, Donegal Group had total assets of \$1.5 billion, total policy reserves of \$1.0 billion, total equity of \$408.4 million, LTM total revenue of \$636.4 million, and LTM net income of \$21.0 million.

### **EMC Insurance Group Inc.** (NASDAQ: EMCI) – Des Moines, Iowa

EMC Insurance Group Inc. (“EMC Insurance”) is an insurance holding company that was incorporated in Iowa in 1974 by Employers Mutual Casualty Company (“Employers Mutual”) and became a public company in 1982 following the initial public offering of its common stock. EMC Insurance is approximately 57% owned by Employers Mutual, a multiple-line property and casualty insurance company organized as an Iowa mutual insurance company in 1911 that is licensed in all 50 states and the District of Columbia. EMC Insurance conducts operations in property and casualty insurance and reinsurance through its subsidiaries. EMC Insurance primarily focuses on the sale of commercial lines of property and casualty insurance to small and medium-sized businesses. These products are sold through independent insurance agents who are supported by a decentralized network of branch offices. Although EMC Insurance actively markets its insurance products in 41 states, the majority of its business is marketed and generated in the Midwest. EMC Insurance conducts its operations through the following subsidiaries: EMCASCO Insurance Company, Illinois EMCASCO Insurance Company and Dakota Fire Insurance Company, and its reinsurance operations through its subsidiary, EMC Reinsurance Company. The primary sources of revenue for EMC Insurance are generated from the following commercial lines of business: property, automobile, workers compensation, and liability. For the year ended December 31, 2015, the geographic distribution of the aggregate direct premiums generated by EMC Insurance included Iowa (13.0%), Kansas (8.5%), Wisconsin (5.6%), Nebraska (5.3%), Michigan (4.6%), Illinois (4.2%), and Texas (4.1%). EMC Insurance’s property and casualty insurance companies carry financial strength ratings from A.M. Best of A (Excellent) with a stable outlook. As of December 31, 2015, EMC Insurance had total assets of \$1.5 billion, total policy reserves of \$926.9 million, total equity of \$524.9 million, LTM total revenue of \$623.7 million, and LTM net income of \$50.2 million.

Federated National Holding Company (“Federated National”) is an insurance holding company that engages in the insurance underwriting, distribution and claims processes through its subsidiaries and contractual relationships with its independent agents and general agents. Federated National is authorized to underwrite, and/or place through its owned subsidiaries, homeowners multi-peril, commercial general liability, federal flood, personal automobile, and various other lines of insurance in Florida and various other states. Federated National markets and distributes its own and third-party insurers’ products and its other services through a network of independent agents. Its principal insurance subsidiary is Federated National Insurance Company (“FNIC”), which is licensed as an admitted carrier in Florida, Alabama, Louisiana, and South Carolina. Federated National also serves as managing general agent for Monarch National Insurance Company (“MNIC”), which was founded in 2015 through a joint venture and is licensed as an admitted carrier in Florida. MNIC writes insurance policies that have a higher risk profile than those written by FNIC, allowing MNIC to reach a broader market and charge higher premiums. Through relationships with a network of approximately 2,500-plus independent agents, FNIC is authorized to underwrite homeowners, commercial general liability, fire, allied lines, and personal and commercial automobile insurance in Florida. FNIC is licensed as an admitted carrier in Alabama, Louisiana, Georgia, and Texas and underwrites commercial general liability insurance in those states, homeowners insurance in Louisiana, and personal automobile insurance in Georgia and Texas. During 2015, approximately 91.4%, 3.3%, 3.3% and 2.0% of the premiums it underwrote were for homeowners, commercial general liability, personal automobile, and federal flood insurance, respectively. FNIC is not currently rated by A.M. Best. As of December 31, 2015, Federated National had total assets of \$638.3 million, total policy reserves of \$351.3 million, total equity of \$250.8 million, LTM total revenue of \$249.9 million, and LTM net income of \$40.4 million.

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### **First Acceptance Corporation** (NYSE: FAC) – Nashville, Tennessee

First Acceptance Corporation (“First Acceptance”) is a retailer, servicer, and underwriter of non-standard personal automobile insurance based in Nashville, Tennessee. First Acceptance’s insurance operations generate revenue from selling non-standard personal automobile insurance products and related products in 17 states. First Acceptance conducts its servicing and underwriting operations in 13 states and is licensed as an insurer in 12 additional states. First Acceptance owns and operates three insurance company subsidiaries: First Acceptance Insurance Company, Inc., First Acceptance Insurance Company of Georgia, Inc., and First Acceptance Insurance Company of Tennessee, Inc. First Acceptance is a vertically integrated business and believes that its business model allows it to identify and satisfy the needs of its target customers and eliminates many of the inefficiencies associated with a non-integrated automobile insurance model. At December 31, 2015, First Acceptance operated 440 retail locations and a call center staffed with employee-agents. The employee-agents primarily sell non-standard personal automobile insurance products underwritten by First Acceptance as well as certain commissionable ancillary products. In most states, First Acceptance’s employee-agents also sell a complementary insurance product providing personal property and liability coverage for renters underwritten by First Acceptance. In addition to its retail locations, First Acceptance is able to complete the entire sales process over the telephone via its call center or through the internet via its consumer-based website or mobile platform. Effective July 1, 2015, First Acceptance acquired certain assets of Titan Insurance Services, Inc. and Titan Auto Insurance of New Mexico, Inc. These agencies, which are now rebranded under the Acceptance Insurance name, sell private passenger non-standard automobile insurance through 83 retail locations, principally in California, but also in Texas, Arizona, Florida, Nevada, and New Mexico. Based on gross premiums earned by First Acceptance for the year ended December 31, 2015, the geographic distribution of revenue included Georgia (19.2%), Florida (15.4%), Texas (13.4%), Ohio (10.0%), Alabama (9.2%), Illinois (9.0%), and South Carolina (7.6%). The principal operating subsidiaries of First Acceptance carry current financial strength ratings from A.M. Best of B (Fair) with a stable outlook. As of December 31, 2015, First Acceptance had total assets of \$402.1 million, total policy reserves of \$205.5 million, total equity of \$103.7 million, LTM total revenue of \$331.9 million, and LTM net loss of -\$1.9 million.

### **Hallmark Financial Services, Inc.** (NASDAQ: HALL) – Fort Worth, Texas

Hallmark Financial Services, Inc. (“Hallmark Financial”) is a diversified property and casualty insurance group that serves businesses and individuals in specialty and niche markets. Hallmark Financial offers standard commercial insurance, specialty commercial insurance, and personal insurance in selected market niches that are characteristically low-severity and predominately short-tailed risks. Hallmark Financial markets, distributes, underwrites, and services its P&C insurance products primarily through subsidiaries whose operations are organized into product-specific operating units. The standard commercial P&C operating unit offers industry-specific commercial insurance products and services in the standard market. The workers compensation operating unit specializes in small and middle market workers compensation business. Effective July 1, 2015, this operating unit no longer markets or retains any risk on new or renewal policies. The managing general agent (“MGA”) commercial products operating unit offers commercial insurance products and services in the excess and surplus lines market. The specialty Commercial operating unit offers general aviation and satellite launch insurance products and services, low and middle market commercial umbrella and primary/excess liability insurance, medical professional liability insurance products and services, and primary/excess commercial property coverages for both catastrophe and non-catastrophe exposures. The specialty personal lines operating unit offers non-standard personal automobile and renters insurance products and services. Hallmark Financial’s business is geographically concentrated in the South Central and Northwest regions of the United States, except for its general aviation business, which is written on a national basis. Five states accounted for 63% of the gross premiums written in 2015 by Hallmark Financial’s insurance company subsidiaries: Texas (46.7%), Louisiana (4.8%), Arizona (4.3%), Oklahoma (3.5%), and New Mexico (3.4%). Hallmark Financial’s insurance subsidiaries carry current financial strength ratings of A- (Excellent) with a negative outlook. As of December 31, 2015, Hallmark Financial had total assets of \$1.1 billion, total policy reserves of \$667.3 million, total equity of \$262.0 million, LTM total revenue of \$372.4 million, and LTM net income of \$21.9 million.

**HCI Group, Inc.** (NYSE: HCI) – Tampa, Florida

HCI Group, Inc. (“HCI Group”) operates subsidiaries primarily engaged in the property and casualty insurance business. Over the years, HCI Group has broadened and diversified its business portfolio through acquisitions to include information technologies and investment real estate. HCI Group’s principal operating subsidiary, Homeowners Choice Property & Casualty Insurance Company, Inc. (“HCPCI”), was incorporated and began operations in 2007. HCPCI currently provides property and casualty insurance to homeowners, condominium owners, and tenants residing in Florida. HCPCI’s operations are supported by certain of HCI’s wholly owned subsidiaries as well as HCI Group: Homeowners Choice Managers, Inc. acts as managing general agent and provides marketing, underwriting, claims settlement, accounting, and financial services to HCPCI; Southern Administration, Inc. provides policy administration services to HCPCI. HCPCI began operations by participating in a “take-out program” through which it assumed insurance policies held by Citizens Property Insurance Corporation (“Citizens”), a Florida state-supported insurer. The take-out program is a legislatively mandated program designed to reduce the state’s risk exposure by encouraging private companies to assume policies from Citizens. HCPCI has assumed policies in a series of separate transactions, which took place from 2007 through 2015. Substantially all HCI Group’s premium revenue since inception has come from the policies acquired in these assumption transactions and subsequent renewals. HCPCI began writing flood coverage in January 2014 in response to the demand for an alternative to the Federal National Flood Insurance Program for Florida homeowners. Through the assumption transactions, HCI Group has increased its geographic diversification within the state of Florida and currently has approximately 160,000 policies in force. HCI Group is not currently rated by A.M. Best. As of December 31, 2015, HCI Group had total assets of \$637.0 million, total policy reserves of \$239.0 million, total equity of \$237.7 million, LTM total revenue of \$286.0 million, and LTM net income of \$65.9 million.

**Kingstone Companies, Inc.** (NASDAQ: KINS) – Kingston, New York

Kingstone Companies, Inc. (“Kingstone”) offers property and casualty insurance products to small businesses and individuals in the state of New York through its wholly owned subsidiary, Kingstone Insurance Company (“KICO”). KICO is a licensed property and casualty insurance company in New York, New Jersey, Connecticut, Pennsylvania, and Texas; however, KICO writes substantially all of its business in New York. Kingstone is a multi-line regional property and casualty insurance company writing business exclusively through independent retail and wholesale agents and brokers. Kingstone’s largest line of business is personal lines, consisting of homeowners, dwelling fire, 3-4 family dwelling package, condominium, renters, equipment breakdown and service line endorsements, and personal umbrella policies. Commercial liability is another product line through the offering of business owners policies that consist primarily of small business retail risks without a residential exposure. Kingstone also writes artisan’s liability policies for small independent contractors with seven or fewer employees. In addition, it writes special multi-peril policies for larger and more specialized business owners’ risks, including those with limited residential exposures. Commercial automobile represents a third product line as Kingstone provides physical damage and liability coverage for light vehicles owned by small contractors and artisans. A fourth line of business is livery physical damage. Kingstone writes for-hire vehicle physical damage only policies for livery and car service vehicles and taxicabs. These policies insure only the physical damage portion of insurance for such vehicles, with no liability coverage included. Personal lines, commercial liability, livery physical damage, and commercial automobile policies accounted for 76.0%, 13.2%, 9.9%, and 0.6% of gross written premiums for the year ended December 31, 2015. Kingstone complete an underwritten public offering of common stock in December 2013. Kingstone’s current financial strength rating from A.M. Best is B++ (Good) with a stable outlook. As of December 31 2015, Kingstone had total assets of \$149.1 million, total policy reserves of \$90.0 million, total equity of \$45.3 million, LTM total revenue of \$64.2 million, and LTM net income of \$7.0 million.

National Security Group, Inc. (“National Security”) is an insurance holding company that, through its property and casualty subsidiaries, primarily writes personal lines coverage including dwelling fire and windstorm, homeowners, and mobile homeowners lines of insurance in ten states. Through its life insurance subsidiary, National Security offers a basic line of life and health and accident insurance products in six states. Property and casualty insurance is the most significant segment accounting for approximately 90% of total premium revenues in 2015 and is conducted through National Security Fire & Casualty Company (“NSFC”) and Omega One Insurance Company (“Omega”). NSFC is licensed to write insurance in the states of Alabama, Arkansas, Florida, Georgia, Kentucky, Mississippi, Oklahoma, South Carolina, Tennessee and West Virginia. Omega is licensed to write insurance in Alabama and Louisiana. Another subsidiary, National Security Insurance Company (“NSIC”), conducts the life insurance business. Dwelling fire and homeowners, collectively referred to as the dwelling property line of business, is the largest segment of property and casualty operations composing approximately 97% of total property and casualty premium revenue. National Security focuses on providing niche insurance products within the markets it serves. National Security ranks in the top twenty dwelling property insurance carriers in its two largest states, Alabama and Mississippi. However, due to the large concentration of business among the top five carriers, its total combined market share in these two states is less than 2%. NSFC and Omega products are marketed through a network of independent agents and brokers, who are independent contractors and generally maintain relationships with one or more competing insurance companies. For the year ended December 31, 2015, National Security’s direct written premium distribution was as follows: Alabama (28.5%), Mississippi (18.0%), Georgia (11.9%), Louisiana (11.9%), South Carolina (10.6%), Oklahoma (9.4%), Tennessee (5.6%), and Arkansas (4.1%). NSFC currently carries an A.M. Best group financial strength rating of B++(Good), while Omega and NSIC carry financial strength ratings of B+ (Good), all with stable outlooks. As of December 31, 2015, National Security had total assets of \$148.1 million, total policy reserves of \$77.0 million, total equity of \$44.9 million, LTM total revenue of \$64.1 million, and LTM net income of \$4.7 million.

**Unico American Corporation** (NASDAQ: UNAM) – Calabasas, California

Unico American Corporation (“Unico American”) is an insurance holding company that underwrites property and casualty insurance through its insurance company subsidiary; provides property, casualty, and health insurance through its agency subsidiaries; and provides insurance premium financing and membership association services through its other subsidiaries. The insurance company operation is conducted through Crusader Insurance Company (“Crusader”), which is a multiple line P&C insurance company that began transacting business on January 1, 1985. Since 2004, all Crusader business has been written in the state of California until June 2014 when Crusader also began writing business in the state of Arizona. During the year ended December 31, 2015, approximately 98% of Crusader’s business was commercial multiple peril policies. Commercial multiple peril policies provide a combination of property and liability coverage for businesses. Commercial property coverage insures against loss or damage to buildings, inventory and equipment from natural disasters, including hurricanes, windstorms, hail, water, explosions, severe winter weather, and other events such as theft and vandalism, fires, storms, and financial loss due to business interruption resulting from covered property damage. However, Crusader does not write earthquake coverage. In addition to commercial multiple peril policies, Crusader also writes separate policies to insure commercial property and commercial liability risks on a mono-line basis. Crusader is domiciled in California and is licensed as an admitted insurance carrier in the states of Arizona, California, Nevada, Oregon, and Washington. For the year ended December 31, 2015, 99.5% and 0.5% of direct written premium was produced in California and Arizona, respectively. Unico American sells its insurance policies through Unifax Insurance Systems, Inc., Crusader’s sister corporation and exclusive general agent. All policies are produced by a network of independent brokers and retail agents. Although Crusader plans to continually introduce new products, it did not introduce new products during 2015; instead, in 2015 Crusader implemented product changes such as revised rates, eligibility guidelines, rules and coverage forms. In October 2015, A.M. Best affirmed the financial strength rating of A- (Excellent) for Crusader with a stable outlook. As of December 31, 2015, Unico American had total assets of \$140.2 million, total policy reserves of \$67.2 million, total equity of \$70.3 million, LTM total revenue of \$33.3 million, and LTM net loss of -\$1.2 million.

United Insurance Holdings Corp. (“United Insurance”) serves as the holding company for United Property & Casualty Insurance Company and its affiliated companies (referred to collectively as “UPC Insurance”). UPC Insurance is primarily engaged in the homeowners property and casualty insurance business in the United States. It currently writes in Connecticut, Florida, Georgia, Hawaii, Louisiana, Massachusetts, New Jersey, North Carolina, Rhode Island, South Carolina, and Texas, and is licensed to write in Alabama, Delaware, Maryland, Mississippi, New Hampshire, New York, and Virginia. United Insurance’s target market currently consists of areas where the perceived threat of natural catastrophe has caused large national insurance carriers to reduce their concentration of policies. In such areas, United Insurance believes an opportunity exists for UPC Insurance to write profitable business. United Insurance manages its risk of catastrophic loss primarily through sophisticated pricing algorithms, avoidance of policy concentration, and the use of a comprehensive catastrophe reinsurance program. UPC Insurance has been operating continuously in Florida since 1999, and has managed its business through various hurricanes, tropical storms, and other weather related events. Homeowners policies and related coverage account for the vast majority of the business that United Insurance writes, but it is diversifying by product as well as geography. In 2015, personal property policies (standard homeowners, dwelling fire, renters and condominium owners policies) accounted for 95% of United Insurance’s total written premium. In addition to these policies, United Insurance writes flood policies, which accounted for 3%, and commercial residential policies, which accounted for the remaining 2% of its 2015 written premium. United Insurance currently markets its policies to a broad range of prospective policyholders through over 7,000 independent agencies. In September 2015, United Insurance entered into a stock purchase agreement to acquire Mineola, New York-based Interboro Insurance Company, a New York domiciled property and casualty insurer licensed in New York, South Carolina, Alabama, Louisiana, and Washington, D.C. The transaction is currently expected to close in April 2016. Based on direct written premium for the year ended December 31, 2015, United Insurance’s geographic distribution includes Florida (57.3%), Texas (10.0%), Massachusetts (7.1%), South Carolina (7.4%), Louisiana (6.7%), North Carolina (5.3%), and Rhode Island (4.2%). United Insurance is not currently rated by A.M. Best. As of December 31, 2015, United Insurance had total assets of \$740.0 million, total policy reserves of \$381.4 million, total equity of \$239.2 million, LTM total revenue of \$357.6 million, and LTM net income of \$27.4 million.

### **Recent Financial Comparisons**

Table 7 summarizes certain financial comparisons between Nodak Mutual and the Comparative Group. Financial data for the Company, the Comparative Group, and the Public P&C Insurance Group are based on consolidated GAAP data for the LTM ended December 31, 2015. The Public P&C Insurance Group includes all of the companies presented in Exhibit IV.

The Company's total assets of \$261.2 million measured below the Comparative Group median and mean of \$637.6 million and \$708.5 million, respectively. Overall, the Comparative Group includes five companies with total assets under \$500 million, three companies with assets between \$500 million and \$1 billion, and four companies with assets between \$1.0 billion and \$1.6 billion. The median asset size of the Public P&C Insurance Group was \$3.3 billion. There were a total of six companies within the Public P&C Insurance Group with an asset size below the Company's asset size at December 31, 2015.

The P&C insurance industry is a highly competitive business in the areas of price, coverage, and service. The P&C industry includes insurers ranging from large companies offering a wide variety of products worldwide to smaller, specialized companies in a single state or region offering only a single product. Smaller insurance companies may find themselves competing with many insurance companies of substantially greater financial resources, more advanced technology, larger volumes of business, more diversified insurance coverage, broader ranges of projects, and higher ratings. Competition centers not only on the sale of products to customers, but also on the recruitment and retention of qualified agents and producers. Large national insurers may have certain competitive advantages over smaller regional companies, including increased name recognition, increased loyalty of their customer base, greater efficiencies and economies of scale and reduced policy acquisition costs.



**FELDMAN FINANCIAL ADVISORS, INC.**

Nodak Mutual's ratio of total policy reserves to total equity measured 0.66x, evidencing both its solid capital position and restrained utilization of underwriting leverage. The Comparative Group median and mean ratios of policy reserves to equity were 1.74x and 1.72x, respectively. The Company's lower ratio of policy reserves to total equal is also reflective of consistently favorable loss reserve development trends and its multi-peril crop insurance product segment which typically is a short-tailed line of business tied to a single growing season. Among the Comparative Group, only Unico American displayed a ratio of policy reserves to equity below 1.00x at 0.95x. Correspondingly, Unico American also exhibited a relatively high equity capital ratio at 50.2% of total assets. Nodak Mutual's equity capital ratio at 57.6% of total assets outdistanced the Comparative Group median of 31.9% and the Public P&C Insurance Group median of 30.1%.

The Company's ratio of cash and investments to total assets was 76.5% as of December 31, 2015, and was positioned above the Comparative Group median ratio of 68.1% and mean ratio of 69.8%. Nodak Mutual's higher concentration of invested assets reflects comparatively lower levels of receivables in the form of reinsurance receivables and premium receivables. In addition, the Company's investment concentration level has been enhanced by the positive underwriting results and operating cash flows generated in each of the past four years.

The Company's total assets increased by 4.5% over the LTM period ended December 31, 2015, whereas the Comparative Group reflected median and mean asset growth rates of 8.1% and 13.0%, respectively, for the corresponding period. Most members of the Comparative Group experienced moderate asset growth over the past year, while a few reported significant asset increases due to substantial increases in total revenue and net income (Atlas Financial, Federated National, and United Insurance).

**Table 7**  
**Comparative Financial Condition Data**  
**Nodak Mutual and the Comparative Group**  
As of or for the Last Twelve Months Ended December 31, 2015

	Total Assets (\$mil.)	Total Policy Resrvs. (\$mil.)	Total Equity (\$mil.)	LTM Asset Growth (%)	Policy Resrvs./ Equity (x)	Cash & Invest./ Assets (%)	Total Equity/ Assets (%)	Tang. Equity/ Assets (%)
Nodak Mutual Insurance Company	261.2	98.8	150.5	4.46	0.66	76.54	57.62	57.17
Comparative Group Median	637.6	295.1	238.5	8.09	1.74	68.06	31.91	31.16
Comparative Group Mean	708.5	399.0	225.9	12.97	1.72	69.79	33.20	31.94
Public P&C Insurance Group Median	3,292.2	1,979.3	851.2	2.48	1.88	70.84	30.05	27.36
Public P&C Insurance Group Mean	35,040.2	15,826.7	10,377.2	6.02	2.30	69.06	30.14	28.37
<b>Comparative Group</b>								
Atlas Financial Holdings, Inc.	411.6	235.2	129.6	44.97	1.81	56.69	31.49	30.20
Baldwin & Lyons, Inc.	1,085.8	538.9	394.5	(5.11)	1.37	67.59	36.33	36.15
Donegal Group Inc.	1,537.8	1,007.7	408.4	5.43	2.47	60.41	26.56	26.24
EMC Insurance Group Inc.	1,536.0	926.9	524.9	2.55	1.77	92.19	34.18	34.14
Federated National Holding Company	638.3	351.3	250.8	26.74	1.40	68.52	39.29	39.29
First Acceptance Corporation	402.1	205.5	103.7	22.43	1.98	64.46	25.78	18.05
Hallmark Financial Services, Inc.	1,076.6	667.3	262.0	9.76	2.55	65.19	24.34	19.90
HCI Group Inc.	637.0	239.0	237.7	6.42	1.01	78.60	37.32	37.32
Kingstone Companies, Inc.	149.1	90.0	45.3	10.47	1.99	60.62	30.36	29.53
National Security Group, Inc.	148.1	77.0	44.9	2.23	1.72	80.57	30.31	30.31
Unico American Corporation	140.2	67.2	70.3	3.05	0.95	70.01	50.18	50.18
United Insurance Holdings Corp.	740.0	381.4	239.2	26.68	1.59	72.63	32.32	32.01

Source: Nodak Mutual; SNL Financial.

**FELDMAN FINANCIAL ADVISORS, INC.**

As shown in Table 8, the Company's ROA for the LTM ended December 31, 2015 was 6.87% and surpassed the Comparative Group median and mean ROA results of 3.24% and 3.34%, respectively. The Public P&C Insurance Group reported median and mean LTM ROA results of 2.33% and 2.27%, respectively. Nodak Mutual's ROE for the recent LTM period was 12.25% and outperformed the Comparative Group median and mean ROE results of 10.15% and 10.37%, respectively. Nodak Mutual's advantage in profitability reflected its continuing trend of favorable underwriting results. While Nodak Mutual enjoyed a significant advantage versus the Comparative Group with respect to ROA performance, the advantage was lessened based on ROE results due to the Company's much higher capitalization. Following completion of the Offering, the Company's ROE would likely encounter further downward pressure due to the significant accumulation of capital.

Ten out of twelve Comparative Group companies reported positive earnings, led by HCI Group, Federated National, and Kingstone Companies with ROA results of 9.89%, 6.85%, and 4.91%, respectively, and ROE results of 30.24%, 17.65%, and 16.39%, respectively. The lower performers in the Comparative Group with negative earnings results were First Acceptance and Unico American.

Nodak Mutual's higher profitability was supported by its favorable combined ratio. The Company's combined ratio of 86.3% for the LTM ended December 31, 2015 was below the Comparative Group median and mean combined ratios of 91.2% and 89.2%, respectively. Nodak Mutual's lower combined ratio was attributable primarily to its favorable expense ratio. Nodak Mutual's loss ratio measured 60.1% for the LTM ended December 31, 2015 and was slightly higher than the Comparative Group median and mean loss ratios of 59.2% and 58.4%, respectively and comparable to the P&C Insurance Group median and mean loss ratios of 60.8% and 60.5%, respectively. Nodak Mutual's expense ratio was 26.2% for the LTM ended December 31, 2015 and lower than the Comparative Group median and mean expense ratios of 32.3% and 30.9%, respectively, and the P&C Insurance Group median and mean expense ratios of 31.9% and 31.6%, respectively. Among the Comparative Group members, only Kingstone Companies and HCI Group reported combined ratios lower than Nodak Mutual's combined ratio. Management of Nodak Mutual has attributed its recent underwriting performance to implementation of stricter underwriting standard, the re-underwriting and increased inspections of the property lines of business, rate increases, higher deductible, aggressive claims settlement, and agency reviews. The Company's favorable expense ratio reflects its cost-effective distribution network and efficiencies related to technology initiatives.

The Company's ratio of net premiums written to average equity measured 1.00x for the LTM ended December 31, 2015 and was positioned below the Comparative Group median and mean ratios of 1.37x and 1.31x, respectively, and the Public P&C Insurance Group median and mean ratios of 1.14x and 1.15x, respectively. In recent years, the Company's rate of surplus growth has exceeded net premium expansion. Increasing the Company's book of business and premium volume on its existing platform is a strategic goal of Nodak Mutual as it seeks to capitalize on expansion opportunities.

**Table 8**  
**Comparative Operating Performance Data**  
**Nodak Mutual and the Comparative Group**  
For the Last Twelve Months Ended December 31, 2015

	Total Revenue (\$mil.)	LTM Net Prem. Written/ Avg.Eq. (x)	LTM Loss Ratio (%)	LTM Exp. Ratio (%)	LTM Comb. Ratio (%)	LTM Pre- tax Inc./ Total Revenue (%)	LTM ROA (%)	LTM ROE (%)
Nodak Mutual Insurance Company	146.5	1.00	60.1	26.2	86.3	17.82	6.87	12.25
Comparative Group Median	283.1	1.37	59.2	32.3	91.2	11.60	3.24	10.15
Comparative Group Mean	288.0	1.31	58.4	30.9	89.2	12.12	3.34	10.37
Public P&C Insurance Group Median	920.2	1.14	60.8	31.9	94.0	10.94	2.33	9.72
Public P&C Insurance Group Mean	9,247.1	1.15	60.5	31.6	92.6	11.40	2.27	9.32
<b>Comparative Group</b>								
Atlas Financial Holdings, Inc.	156.9	1.39	59.2	27.8	87.0	14.06	3.84	11.86
Baldwin & Lyons, Inc.	280.3	0.64	59.2	32.2	91.4	12.11	2.09	5.83
Donegal Group Inc.	636.4	1.47	65.8	33.2	99.0	4.34	1.39	4.89
EMC Insurance Group Inc.	623.7	1.12	65.0	31.3	96.3	11.49	3.29	9.66
Federated National Holding Company	249.9	0.98	49.7	38.2	87.9	26.09	6.85	17.65
First Acceptance Corporation	331.9	2.67	82.0	17.8	99.8	(0.77)	(0.51)	(1.82)
Hallmark Financial Services, Inc.	372.4	1.37	65.9	28.0	93.9	8.56	2.11	8.39
HCI Group Inc.	286.0	1.17	30.9	32.8	63.6	37.14	9.89	30.24
Kingstone Companies, Inc.	64.2	1.42	47.7	32.3	80.0	16.06	4.91	16.39
National Security Group, Inc.	64.1	1.37	55.4	35.6	91.0	9.91	3.19	10.64
Unico American Corporation	33.3	0.44	65.0	22.0	87.0	(5.22)	(0.86)	(1.66)
United Insurance Holdings Corp.	357.6	1.74	54.5	39.5	94.0	11.71	3.86	12.35

Source: Nodak Mutual; SNL Financial.

## **IV. MARKET VALUE ADJUSTMENTS**

### **General Overview**

This concluding chapter of the Appraisal identifies certain adjustments to Nodak Mutual's estimated pro forma market value relative to the Comparative Group. The adjustments discussed in this chapter are made from the viewpoints of potential investors, which would include policyholders and other eligible individuals with subscription rights and unrelated investors who might purchase stock in a community or syndicated offering. It is assumed that these potential investors are aware of all relevant and necessary facts as they would pertain to the value of the Company relative to other publicly traded insurance companies and relative to alternative investments.

Our Appraisal is predicated on a continuation of the current operating environment for Nodak Mutual and insurance companies in general. Changes in the Company's operating performance along with changes in the regional and national economies, the stock market, interest rates, the regulatory environment, and other external factors may occur from time to time, often with great unpredictability, which could impact materially the pro forma market value of the Company or the trading market values of insurance company stocks in general. Therefore, the Valuation Range provided herein is subject to a more current re-evaluation prior to the actual completion of the Conversion.

In addition to the comparative operating fundamentals discussed in prior chapters, it is important to address additional market value adjustments based on certain financial and other criteria, which include, among other factors:

- (1) Earnings Prospects
- (2) Management
- (3) Liquidity of the Issue
- (4) Dividend Policy
- (5) Subscription Interest
- (6) Stock Market Conditions
- (7) New Issue Discount

**Earnings Prospects**

Earnings prospects are dependent upon the ability to grow revenue and control expenses and the effectiveness of managing the combined ratio (ratio of losses and operating expenses to net premiums earned). Nodak Mutual's revenue is generated primarily from net premiums earned, net investment income, and net realized investments gains or losses. The Company's expenses mainly comprise losses and loss adjustment expenses, policy acquisition costs, and other general and administrative expenses. The Company's revenue growth is affected by various factors, including competitive pricing, producer relationships, product strategy, business development, customer service and client retention, reinsurance arrangements, insurance rules and regulations, and investment performance. The Company's operating efficiency affects the degree to which it can profitably leverage its distribution system and cost infrastructure. Many of the earnings challenges faced by the Company are systemic to smaller insurers that lack economies of scale, diverse distribution channels, geographic diversity, or enhanced technological resources.

Nodak Mutual maintains a strong market presence in North Dakota and has extensive familiarity with its specialty niche segment of crop insurance along with more traditional property and casualty product lines of business. The Company recently has sustained a trend of favorable underwriting results and positive earnings resulting in a solid build-up of capital. While the Company remains exposed to frequent and severe weather-related because of its primary geographic markets, Nodak Mutual has demonstrated the ability to manage these risk factors and taken important steps to broaden its product lines and geographic presence. The results of recent expansion and diversification initiatives are not yet fully apparent; however, these actions have not impacted the Company's profitability as earnings have continued to advance steadily. We therefore believe that, given the Company's recent earnings trends and comparative operating fundamentals that are favorable on the whole versus the Comparative Group's performance, an upward adjustment is warranted for the Company's earnings prospects with respect to the Comparative Group.

**Management**

Management's principal challenges are to implement strategic objectives, generate revenue growth, control operating costs, and monitor asset quality and underwriting risks while Nodak Mutual competes in the highly competitive P&C insurance industry. The challenges facing the Company in attempting to sustain improvements in profitability and enhance its competitiveness are paramount because of the inherent competitive disadvantages faced by smaller insurers in general.

We believe that investors will take into account that Nodak Mutual is professionally managed by a team of experienced insurance executives that has focused on the Company's niche markets and emphasized its historical operating strengths in attempting to grow revenues and improve profitability. We also note that investors will likely rely upon top-line premium growth, bottom-line earnings results, and ongoing progress of strategic capital deployment as the means of evaluating the future performance of management. Based on these considerations, we believe no adjustment is warranted based on management.



**Liquidity of the Issue**

All twelve members of the Comparative Group are traded on major stock exchanges. Ten companies are listed on the NASDAQ Stock Market and two companies (First Acceptance Corporation and HCI Group) are traded on the New York Stock Exchange. As of April 29, 2016, the market capitalizations of the Comparative Group reflected a median of \$243.9 million and ranged from \$39.7 million for National Security Group to \$554.2 million for EMC Insurance Group. In contrast, the median market capitalization for the Public P&C Insurance Group was higher at approximately \$1.1 billion as of April 29, 2016.

The development of a public market having the desirable characteristics of depth, liquidity and orderliness depends upon the presence in the marketplace of a sufficient number of willing buyers and sellers at any given time and the existence of market makers to facilitate stock trade transactions. NI Holdings intends to apply for listing of its common stock on the NASDAQ Stock Market, subject to the completion of the Offering. Given the estimated range of the Company's pro forma market value and the presence of other relatively small insurance companies in the Comparative Group that are publicly traded and also operate in the P&C insurance sector, we believe that it is reasonable to believe that an established market for the Company's stock can develop, assuming that it continually meets listing requirements. Therefore, we believe that no adjustment is necessary for liquidity of the issue.

**Dividend Policy**

Following the Offering, the Board of Directors of NI Holdings intends to adopt a policy of paying regular cash dividends, but has not decided the amount that may be paid or when the payments may begin. In addition, the Board of Directors may declare and pay periodic special cash dividends in addition to, or in lieu of, regular cash dividends. In determining whether to declare or pay any dividends, whether regular or special, the Board of Directors will take into account the financial condition and operating results of NI Holdings, tax considerations, capital requirements, industry standards, and economic conditions. The regulatory restrictions under North Dakota law that will affect the payment of dividends by Nodak Insurance Company to NI Holdings will also be considered by the Board of Directors. There is no guarantee that NI Holdings will pay dividends or that, if paid, NI Holdings will not reduce or eliminate dividends in the future. If it pays dividends to its shareholders, NI Holdings also will be required to pay dividends to Nodak Mutual Group, unless Nodak Mutual Group elects to waive the receipt of dividends. NI Holdings anticipates that Nodak Mutual Group will waive a substantial portion of the dividends payable to Nodak Mutual Group.

Payment of cash dividends is commonplace among publicly traded insurance companies with solid capital levels. Of the twelve members of the Comparative Group, eight (or approximately 67%) currently pay regular cash dividends. Of the 48 companies in the Public P&C Insurance Group, 37 (or approximately 77%) currently pay regular cash dividends. The median and mean dividend yield of the Comparative Group was 1.24% and 1.75%, respectively, as of April 29, 2016. The median and mean dividend yield of the Public P&C Insurance Group was 1.88% and 1.84%, respectively, as of April 29, 2016. Although NI Holdings has yet to establish a policy of paying regular cash dividends, we believe that investors will take note of its solid dividend-paying capacity as evidenced by its strong capitalization. Therefore, we have concluded that no adjustment is warranted for purposes of dividend policy.

**Subscription Interest**

While mutual-to-stock conversions are commonplace in the savings institution industry, such conversions and demutualizations are less common in the insurance industry. In recent years, IPOs of savings institution stocks have attracted a great deal of investor interest and this speculative fervor continued through 2014 and 2015. In contrast, over the past decade, there have been only a handful of insurance company demutualization transactions utilizing a subscription rights offering (including stand-alone offerings or sponsor-affiliation transactions). In connection with the Conversion, preferential subscription rights to purchase shares of common stock of NI Holdings will be offered to policyholders of Nodak Mutual, the ESOP, and the Company's directors, officers, and employees. At the present time, we are not aware of any particular marketing factors or transaction circumstances that would suggest either an overwhelming or suppressed level of interest in purchasing shares by eligible subscribers in the Offering. Therefore, absent actual results from the subscription phase of the Offering, we do not believe that any adjustment is necessary at this juncture.

**Stock Market Conditions**

Table 9 summarizes the recent performance of various insurance stock indexes along with broader market indexes. The SNL Insurance Index of all public insurance companies increased 2.5% over the past year through April 29, 2016. The SNL Insurance Index outperformed the broader markets indexes as reflected by the Dow Jones Industrials Average ("DJIA") decreasing 1.5% and the S&P 500 Stock Index declining 2.0%. Over the past three years ended April 29, 2016, the SNL Insurance Index was up 46.0%, while the DJIA increased 19.9% and the S&P 500 advanced 29.6%. Compared to other segments of the financials sector, insurance stock valuations were slower to rebound early in the current bull cycle and experienced more momentum over the past two to three years. Large and mid-tier market capitalization insurance stocks generally outperformed the small and micro capitalization insurance stocks over both the one-year and three-year time periods.

**Table 9**  
**Selected Stock Market Index Performance**  
 For the Period Ended April 29, 2016

	Index Value	Percent Change (%)		
		Year-to-Date	One Year	Three Years
<b>SNL Insurance Indexes</b>				
SNL U.S. Insurance	744.61	2.03	2.49	45.95
SNL U.S. Insurance Underwriter	732.57	1.42	2.28	45.58
SNL U.S. Insurance Broker	1,203.78	9.48	3.94	49.20
S&P 500 Insurance	307.10	(0.20)	1.45	31.40
NASDAQ Insurance	7,308.47	1.17	8.60	29.47
S&P 500 Insurance Brokers	502.87	10.07	5.58	66.17
S&P 500 Multiline Insurance	102.63	(5.98)	(0.95)	28.92
<b>SNL Sector Indexes</b>				
SNL U.S. Insurance Property & Casualty	724.36	1.71	5.08	30.44
SNL U.S. Insurance Multiline	155.01	(2.53)	(5.87)	38.00
SNL U.S. Insurance Life & Health	743.05	(1.99)	(7.78)	29.24
SNL U.S. Reinsurance	944.61	(3.65)	0.36	24.88
SNL U.S. Managed Care	2,038.53	4.57	8.00	110.96
SNL U.S. Title Insurer	1,339.97	(5.64)	(9.91)	34.63
SNL U.S. Mortgage & Financial Guaranty	62.08	(3.34)	(20.29)	3.13
S&P 500 Property & Casualty	411.60	0.89	10.84	40.64
S&P 500 Life & Health	300.53	(2.12)	(8.33)	23.09
<b>SNL Asset Size Indexes</b>				
SNL U.S. Insurance < \$250M	768.78	8.47	16.58	5.66
SNL U.S. Insurance \$250M-\$500M	570.78	(17.40)	(23.85)	11.22
SNL U.S. Insurance \$500M-\$1B	640.62	(18.53)	(13.28)	35.36
SNL U.S. Insurance \$1B-\$2.5B	1,501.34	0.09	(0.45)	23.17
SNL U.S. Insurance \$2.5B-\$10B	912.42	(3.34)	(2.55)	34.05
SNL U.S. Insurance > \$10B	696.59	1.73	2.62	46.57
SNL U.S. Insurance > \$1B	761.86	1.48	2.34	45.62
SNL U.S. Insurance < \$1B	838.01	(12.27)	(9.52)	41.61
<b>SNL Market Cap Indexes</b>				
SNL Micro Cap U.S. Insurance	311.40	(1.06)	(3.42)	30.68
SNL Small Cap U.S. Insurance	693.77	(3.74)	(9.07)	9.26
SNL Mid Cap U.S. Insurance	557.53	(2.00)	(0.53)	42.45
SNL Large Cap U.S. Insurance	680.14	2.82	2.83	49.28
<b>Broad Market Indexes</b>				
Dow Jones Industrials Average	17,773.64	2.00	(1.45)	19.94
S&P 500	2,065.30	1.05	(1.97)	29.60
S&P Mid-Cap	1,461.65	4.51	(3.75)	27.12
S&P Small-Cap	694.56	3.40	(3.09)	31.82
S&P 500 Financials	313.64	(2.51)	(4.27)	24.85
NASDAQ	4,775.36	(4.63)	(4.94)	44.40
NASDAQ Financials	3,232.40	(0.28)	0.56	28.85

Source: MSCI; SNL Financial.

Although stumbling through early 2016, financial stocks have performed well in the economic recovery over the past five years and insurance stocks have participated fully in this sustained market rally. Increased merger and acquisition activity among insurance companies has provided additional support for improved market valuations. Strengthening fundamentals in the insurance industry have included fortified capital positions, improved product pricing, and increased demand for products as consumers and businesses accumulate additional cash flow in the rebounding economy. Insurance industry earnings have been challenged by the low interest rate environment, which has restrained the growth of investment income. Additionally, pricing on policies has been decelerating, particularly for commercial lines of insurance. The expansion of regulatory reform from the banking industry to other financial services industries, such as insurance companies, asset managers and investment advisors, has led to increased costs for compliance, controls, and regulatory systems. Through the early months of 2016, momentum in the financials sector, including insurance equities, and the overall market stalled due to overhanging concerns related to weak global demand, lackluster growth in the U.S. gross domestic product, and the energy slump weighing down corporate profits.

While P&C insurers historically have been very volatile due to cyclical market conditions and catastrophic losses, the stock performance of these issues has evidenced lesser volatility. The industry's improved capital position provides a solid buffer against catastrophic losses. The valuation support for many P&C companies will focus on incremental additions to book value from stable earnings and capital deployment strategies such as leverage, mergers, dividend payments, and share repurchases to provide price momentum going forward. Viewing the broader trends, the overall health of the industry, which endured significant pricing pressure and reduced exposure since the latest recession, has recently improved with the stepped-up macro economy. While encountering short-term resistance to premium rate increases, the industry may be poised to experience margin expansion. Although a more competitive pricing environment is expected to impact insurers' ability to raise premium rates, the overall operating climate is projected to remain stable and therefore we believe no specific adjustment is necessary for stock market conditions.

**New Issue Discount**

A “new issue” discount that reflects investor concerns and investment risks inherent in all IPOs is a factor to be considered for purposes of valuing companies converting from mutual to stock form. The magnitude of the new issue discount typically narrows during periods of declining stock prices as investors require larger inducements, and expands during stronger market conditions. The necessity to build a new issue discount into the stock price of a converting insurance company continues to prevail in recognition of the uncertainty among investors as a result of the lack of a seasoned trading history for the converting company, its operation in an intensely competitive industry, underlying concerns regarding the interest rate outlook and economic recovery trends, recent volatility in the stock market, and the ever-changing landscape of competitors and product marketing in the insurance marketplace.

Because a mutual-to-stock conversion transaction results in an infusion of additional capital, the new issue discount is most often reflected in the form of relative discounts to the pro forma price-to-book value ratio. The pro forma equity of the converting company includes the existing equity plus the net proceeds from the mutual-to-stock conversion. Pricing a new conversion offering at a relatively high ratio in relation to pro forma book value, because of the mathematics of the calculation, would require very large increases in valuations resulting in unsustainable price-to-earnings ratios and very marginal returns on equity. Given Nodak Mutual’s already strong capitalization, it would be confronted with the challenges of managing and deploying the excess capital to generate competitive returns on equity.

## **FELDMAN FINANCIAL ADVISORS, INC.**

Recent experiences of insurance mutual-to-stock demutualizations confirm the applicability of the new issue discount. ARI Mutual Insurance Company (Newtown, Pennsylvania) completed a sponsored conversion transaction in January 2016; its pro forma midpoint valuation was \$28.0 million with a pro forma price-to-book ratio of 54.3%. Mutual Insurers Holding Company (Chicago, Illinois) completed a sponsored conversion transaction in December 2012; its pro forma midpoint valuation was \$57.0 million with a pro forma price-to-book ratio of 55.7%. Penn Millers Holding Corporation (Wilkes-Barre, Pennsylvania) completed a stand-alone conversion transaction in August 2009; its pro forma midpoint valuation was \$53.0 million with a pro forma price-to-book ratio of 55.0%. Eastern Insurance Holdings, Inc. (Lancaster, Pennsylvania) completed a stand-alone conversion transaction in March 2006; its pro forma midpoint valuation was \$65.0 million with a pro forma price-to-book ratio of 52.0%. Based on the collective factors discussed above, we therefore believe that a new issue discount is reasonable and necessary in the determination of the Company's pro forma market value.

### **Adjustments Conclusion**

The Company's pro forma market value on a fully converted basis should reflect a premium based on earnings prospects and should be discounted relative to the Comparative Group because of the new issue discount. Individual discounts and premiums are not necessarily additive and may, to some extent, offset or overlay each other. On the whole, we conclude that the Company's pro forma market value should be discounted relative to the Comparative Group. It is the role of the appraiser to balance the relative dynamics of price-to-book and price-to-earnings discounts and premiums. We have concluded that a discount of approximately 35% to 45% based on the price-to-book valuation metric is reasonable and appropriate for determining the Company's pro forma Valuation Range relative to the Comparative Group's trading ratios.

**Valuation Approach**

In determining the estimated pro forma market value of the Company, we have employed the comparative market valuation approach and considered the following pricing ratios: price-to-book value per share (“P/B”) and price-to-earnings per share (“P/E”). Table 10 displays the trading market price valuation ratios of the Comparative Group as of April 29, 2016. Exhibit V displays the pro forma assumptions and calculations utilized in analyzing the Company’s pro forma valuation ratios on a fully converted basis. In reaching our conclusions of the Valuation Range, we evaluated the relationship of the Company’s pro forma valuation ratios relative to the Comparative Group’s market valuation data.

Investors continue to make decisions to buy or sell P&C insurance company stocks based upon consideration of P/E and P/B comparisons. The P/E ratio is an important valuation ratio in the current insurance stock environment as operating profits have returned to more normalized levels. The P/B ratio remains an important valuation metric because due to applicable regulation, insurers’ ability to write premiums is directly related to their surplus, which is a regulatory proxy for equity capital. Also, insurers are required by regulators to maintain minimum equity capital at levels commensurate with the scope and riskiness of their activities. These regulatory effects make book equity a relatively useful measure of the scale of operations and the price-to-book ratio is a means of reflecting qualitative evaluations regarding such factors as solvency risk, potential growth, pricing capacity, expected returns on equity, and efficient capital utilization.



As of April 29, 2016, the median P/B ratio for the Comparative Group was 101.3% and the mean was 110.7%. In comparison, the Public P&C Insurance Group median and mean P/B ratios were positioned higher at 129.6% and 132.6%, respectively. In consideration of the foregoing analysis along with the additional adjustments discussed in this chapter, we have determined a pro forma midpoint P/B ratio of 61.2% for the Company, which reflects an aggregate midpoint value of \$200.0 million based on the assumptions summarized in Exhibit V. Applying a range of value of 15% above and below the midpoint, the resulting minimum of \$170.0 million reflects a P/B ratio of 57.2% and the resulting maximum of \$230.0 million reflects a P/B ratio of 64.6%.

The Company's pro forma P/B valuation ratios reflect discounts to the Comparative Group's median P/B ratio of 101.3%, with the magnitude of discount measuring 36.2% at Nodak Mutual's maximum valuation, 39.6% at the midpoint valuation, and 43.5% at the minimum valuation. In our opinion, this range discount for the P/B valuation metric is appropriate to reflect the differences in operating fundamentals discussed in Chapter III and the aforementioned adjustment specified for the new issue discount. In addition, we also took into consideration the low returns on equity that would be anticipated by the Company on a pro forma fully-converted basis as its capital levels reach relatively high levels ranging from a 75.1% pro forma equity-to-assets ratio at the minimum valuation to 76.8% at the midpoint valuation and 78.3% at the maximum valuation. The Company's pro forma equity-to-assets ratios would significantly exceed the Comparative Group's corresponding median of 31.9% and the Public P&C Insurance Group median of 30.1%. On a fully converted basis, the Company's pro forma equity-to-assets ratio would be higher than all of the insurers comprising the Public P&C Insurance Group.

## **FELDMAN FINANCIAL ADVISORS, INC.**

Based on the Valuation Range as indicated above, the Company's pro forma P/E ratios based on LTM earnings reflected values of 8.8x at the minimum, 10.1x at the midpoint, and 11.5x at the maximum. As shown in Exhibit V-3, pro forma earnings include historical earnings plus the estimated return on net proceeds from the Offering and the after-tax expense effect of the ESOP. The Company's pro forma P/E ratios are in range of the Comparative Group mean and median ratios of 10.4x and 11.0x, respectively. The Company's pro forma P/E ratio of 10.4x at the midpoint reflects a 3.0% discount to the Comparative Group median, while the pro forma P/E ratio of 11.5x represents a 10.6% premium to the Comparative Group median. Other non-equity and non-earnings related market valuation ratios also reflect premiums accorded to the Company. The Company's pro forma price-to-total revenue and price-to-total assets ratios reflect premiums to the corresponding Comparative Group ratios, largely due to the elevated level of value supported by the Company's exceptionally high capital ratios.

### **Valuation Conclusion**

It is our opinion that, as of April 29, 2016, the aggregate estimated pro forma market value of Nodak Mutual on a fully converted basis was within the Valuation Range of \$170,000,000 to \$230,000,000 with a midpoint of \$200,000,000. The Valuation Range was based upon a 15% decrease from the midpoint to determine the minimum and a 15% increase to establish the maximum. Exhibits V-1 and V-2 display the assumptions and calculations utilized in determining the Company's estimated pro forma market value on a fully converted basis. Based on the sale of 45% of the total outstanding shares of common stock, the aggregate value of the range of stock to be sold in the Offering is from \$76,500,000 at the minimum to \$103,500,000 at the maximum with a midpoint of \$90,000,000. Exhibit V-3 presents the pro forma calculations based on the sale of 45% of the aggregate outstanding common stock.

**Table 10**  
**Comparative Market Valuation Analysis**  
**Nodak Mutual Insurance Company (Fully Converted) and the Comparative Group**  
 Market Price Data as of April 29, 2016

Company	Closing Stock Price (\$)	Total Assets (\$mil.)	Total Market Value (\$mil.)	Price/Book Value (%)	Price/Tang. Book (%)	Price/LTM EPS (x)	Price/Oper. EPS (x)	Price/Total Rev. (x)	Price/Total Assets (%)	Total Equity/Assets (%)	Current Div. Yield (%)
<b>Nodak Mutual Insurance Company (1)</b>											
Pro Forma Minimum	10.00	400.4	170.0	57.2	57.7	8.8	9.2	1.14	42.46	75.14	0.00
Pro Forma Midpoint	10.00	429.8	200.0	61.2	61.7	10.1	10.7	1.34	46.53	76.84	0.00
Pro Forma Maximum	10.00	459.2	230.0	64.6	65.1	11.5	12.1	1.53	50.08	78.32	0.00
Comparative Group Median	NA	637.6	243.9	101.3	106.4	10.4	11.3	1.04	39.34	31.91	1.24
Comparative Group Mean	NA	708.5	244.0	110.7	117.9	11.0	11.5	0.98	36.96	33.20	1.75
Public P&C Insurance Median	NA	3,755.8	1,082.6	129.6	132.3	14.6	14.8	1.09	35.25	30.05	1.82
Public P&C Insurance Mean	NA	35,781.9	12,663.3	132.6	144.4	15.8	16.5	1.29	47.94	30.14	1.82
<b>Comparative Group</b>											
Atlas Financial Holdings, Inc.	17.57	411.6	208.9	172.7	184.3	15.5	14.4	1.33	50.76	31.49	0.00
Baldwin & Lyons, Inc.	24.44	1,085.8	364.9	93.1	93.8	15.8	15.3	1.30	33.61	36.33	4.26
Donegal Group Inc.	15.31	1,537.8	394.2	97.8	99.4	16.1	13.5	0.62	25.64	26.56	3.59
EMC Insurance Group Inc.	26.46	1,536.0	554.2	104.7	104.9	10.9	11.8	0.89	36.08	34.18	2.87
Federated National Holding Company	19.05	638.3	273.7	113.0	113.0	6.5	6.9	1.10	42.89	39.29	1.26
First Acceptance Corporation	1.70	402.1	69.8	67.3	106.2	NM	NA	0.21	17.36	25.78	0.00
Hallmark Financial Services, Inc.	11.29	1,076.6	214.1	82.3	106.5	10.0	10.9	0.57	19.88	24.34	0.00
HCI Group Inc.	29.96	637.0	323.1	129.7	129.7	5.1	NA	1.13	50.72	37.32	4.01
Kingstone Companies, Inc.	9.33	149.1	73.8	151.0	157.1	9.9	9.8	1.15	49.50	30.36	2.68
National Security Group, Inc.	15.82	148.1	39.7	88.6	88.6	8.5	9.1	0.62	26.84	30.31	1.14
Unico American Corporation	11.25	140.2	59.7	85.0	85.0	NM	NA	1.79	42.59	50.18	0.00
United Insurance Holdings Corp.	16.31	740.0	352.2	143.6	145.7	11.6	NA	0.98	47.60	32.32	1.23

(1) Assumes sale of 100% of the pro forma total outstanding shares of common stock in the initial public offering.

Source: Nodak Mutual; SNL Financial; Feldman Financial.

**Exhibit I**  
**Background of Feldman Financial Advisors, Inc.**

**Overview of Firm**

**Feldman Financial Advisors** provides consulting and advisory services to financial services companies in the areas of corporate valuations, mergers and acquisitions, strategic planning, branch sales and purchases, developing and implementing regulatory business and capital plans, and expert witness testimony and analysis. Our senior staff members have been involved in the mutual-to-stock conversion valuation process since 1982 and have valued more than 350 converting institutions.

**Feldman Financial Advisors** was incorporated in February 1996 by a group of consultants who were previously associated with Credit Suisse First Boston and Kaplan Associates. Each of the officers of Feldman Financial Advisors has over 30 years of experience in consulting to financial institutions and financial services companies. Our senior staff collectively has worked with more than 1,000 commercial banks, savings institutions, mortgage companies, and insurance companies nationwide. The firm's office is located in Washington, D.C.

**Background of Senior Professional Staff**

**Trent Feldman** - President. Trent is a nationally recognized expert in providing strategic advice to and valuing financial service companies, and advising on mergers and acquisitions. Trent was with Kaplan Associates for 14 years and was one of three founding principals at that firm. Trent also has worked at the Federal Home Loan Bank Board and with the California legislature. Trent holds Bachelors and Masters Degrees from the University of California, Los Angeles.

**Peter Williams** - Principal. Peter specializes in merger and acquisition analysis, stock valuations and other corporate valuations, strategic business plans, and retail delivery analysis. Peter was with Kaplan Associates for 13 years. Peter also worked as a Corporate Development Analyst with the Wilmington Trust Company in Delaware. Peter holds a BA in Economics from Yale University and an MBA in Finance and Investments from George Washington University.

**Exhibit II**  
**Statement of Contingent and Limiting Conditions**

This Appraisal is made subject to the following general contingent and limiting conditions:

1. The analyses, opinions, and conclusions presented in this Appraisal apply to this engagement only and may not be used out of the context presented herein. This Appraisal is valid only for the effective date specified herein and only for the purpose specified herein.
2. Neither all nor any part of the contents of this Appraisal is to be referred to or quoted in any registration statement, prospectus, public filing, loan agreement, or other agreement or document without our prior written approval. In addition, our Appraisal and analysis are not intended for general circulation or publication, nor are they to be reproduced or distributed to other third parties without our prior written consent.
3. Neither our Appraisal nor our valuation conclusion is to be construed as a fairness opinion as to the fairness of an actual or proposed transaction, a solvency assessment, or an investment recommendation. For various reasons, the price at which the subject interest might be sold in a specific transaction between specific parties on a specific date might be significantly different from the valuation conclusion expressed herein.
4. Our analysis assumes that as of the effective valuation date, the Company and its assets will continue to operate as a going concern. Furthermore, our analysis is based on the past and present financial condition of the Company and its assets as of the effective valuation date.
5. We assume no responsibility for legal matters including interpretations of the law, contracts, or title considerations. We assume that the subject assets, properties, or business interests are appraised free and clear of any or all liens or encumbrances unless otherwise stated.
6. We assume that there is full compliance with all applicable federal, state, and local regulations and laws unless the lack of compliance is stated, defined, and considered in the Appraisal.
7. We do not express an opinion or any other form of assurance on the reasonableness of management's projections reviewed by us or on the underlying assumptions.
8. We assume responsible ownership and competent management with respect to the subject assets, properties, or business interests.
9. The information furnished by others is believed to be reliable. However, we issue no warranty or other form of assurance regarding its accuracy.

**Exhibit III-1**  
**Nodak Mutual Insurance Company**  
**Consolidated Balance Sheets**  
As of December 31, 2014 and 2015  
(Dollars in Thousands)

	December 31,	
	2015	2014
<b>Assets</b>		
Bonds	\$ 153,443	\$ 133,168
Common stocks	31,218	32,469
Cash and cash equivalents	14,521	21,729
Real estate	3,969	4,000
Other invested assets	732	732
Accrued investment income	1,364	1,195
Premiums receivable	20,039	17,538
Reinsurance recoverable	5,259	7,114
Deferred policy acquisition costs	8,444	7,240
Federal income taxes recoverable	307	83
Deferred income taxes	1,023	961
Receivable from Federal Crop Insurance Corporation	14,002	17,028
Goodwill	2,729	2,729
Other assets	4,142	4,046
Total Assets	<u>\$ 261,192</u>	<u>\$ 250,032</u>
<b>Liabilities and Equity</b>		
Unpaid losses and loss adjustment expenses	\$ 45,330	\$ 50,508
Unearned premiums	53,487	49,895
Accrued expenses	4,886	3,790
Accrued income taxes	80	1,872
Reinsurance payable	537	155
Amounts withheld for other	773	651
Deferred tax liability	5,441	6,735
Other liabilities	170	237
Total Liabilities	<u>110,704</u>	<u>113,843</u>
Retained earnings	134,695	117,318
Unrealized gains on securities	12,315	15,491
Minority interest	3,478	3,380
Total Equity	<u>150,488</u>	<u>136,189</u>
Total Liabilities and Equity	<u>\$ 261,192</u>	<u>\$ 250,032</u>

Source: Nodak Mutual, consolidated GAAP financial statements (unaudited).

**Exhibit III-2**  
**Nodak Mutual Insurance Company**  
**Consolidated Income Statements**  
For the Years Ended December 31, 2014 and 2015  
(Dollars in Thousands)

	For the Years Ended December 31,	
	2015	2014
<b>Income Statement Data</b>		
Direct premiums written	\$ 172,775	\$ 156,035
Net premiums written	143,065	134,192
Net premiums earned	\$ 139,473	\$ 131,947
Net investment income	4,184	4,133
Net realized gains on investments	962	1,519
Other revenue	1,854	465
Total revenue	<u>146,473</u>	<u>138,064</u>
Losses and loss adjustment expenses	83,876	89,306
Acquisition and other underwriting expenses	36,499	28,179
Total expenses	<u>120,375</u>	<u>117,485</u>
Income before income taxes	26,098	20,579
Income tax expense	<u>8,417</u>	<u>7,176</u>
Net income before minority interest	17,681	13,403
Net income attributable to minority interest	<u>129</u>	<u>(15)</u>
Net income	<u>\$ 17,552</u>	<u>\$ 13,418</u>

Source: Nodak Mutual, consolidated GAAP financial statements (unaudited).

**Exhibit III-3**  
**Nodak Mutual Insurance Company**  
**Investment Securities Portfolio**  
As of December 31, 2014 and 2015  
(Dollars in Thousands)

	December 31,			
	2015		2014	
	Amount (000s)	Percent (%)	Amount (000s)	Percent (%)
<b>Debt securities:</b>				
U.S. Government	\$ 4,259	2.3	\$ 3,828	2.3
Political subdivision	68,632	37.2	61,159	36.9
Special revenue	21,612	11.7	18,984	11.5
Industrial and miscellaneous	58,940	31.9	49,196	29.7
Total fixed maturity securities	153,443	83.1	133,168	80.4
<b>Equity securities:</b>				
Common stocks	31,218	16.9	32,469	19.6
Preferred stocks	-	-	-	-
Total equity securities	31,218	16.9	32,469	19.6
Total investment securities	\$ 184,661	100.0	\$ 165,637	100.0

Source: Nodak Mutual, internal financial data (unaudited).



**Exhibit III-4**  
**Nodak Mutual Insurance Company (Group)**  
**Statutory Financial Data**  
As of or For the Years Ended December 31, 2011 to 2015  
(Dollars in Thousands)

	As of or For the Years Ended December 31,				
	2015	2014	2013	2012	2011
<b><u>Selected Balance Sheet Data</u></b>					
Total Assets	\$ 243,657	\$ 232,632	\$ 221,661	\$ 191,261	\$ 161,562
Total Cash and Investments	201,915	186,260	180,300	152,149	134,141
Loss Reserves	34,271	39,223	42,081	25,313	21,972
Loss Adjustment Expense Reserves	5,963	5,619	5,887	5,430	6,018
Total Loss and LAE Reserves	40,234	44,842	47,968	30,743	27,991
Unearned Premium Reserve	53,487	49,895	47,752	46,456	39,511
Total Liabilities	102,322	105,613	107,151	89,982	78,547
Capital and Surplus	141,334	127,019	114,510	101,278	83,016
Capital and Surplus / Assets (%)	58.01	54.60	51.66	52.95	51.38
Reserves / Capital and Surplus (%)	28.47	35.30	41.89	30.36	33.72
<b><u>Selected Income Statement Data</u></b>					
Direct Premiums Written (DPW)	\$ 172,774	\$ 164,883	\$ 173,021	\$ 165,415	\$ 162,908
Net Reinsurance Premiums	(29,710)	(21,843)	(17,098)	(34,333)	(23,305)
Net Premiums Written (NPW)	143,064	143,040	155,923	131,083	139,603
Net Premiums Earned	139,472	140,897	154,627	125,173	134,368
Net Loss and LAE Incurred	83,875	95,550	114,199	77,250	123,885
Net Underwriting Expense Incurred	37,169	32,041	33,000	30,102	27,529
Net Underwriting Gain (Loss)	18,429	13,306	7,428	17,820	(17,045)
Net Investment Income	4,183	4,134	3,694	3,649	3,807
Net Realized Capital Gains (Losses)	635	(11)	457	609	(117)
Income Tax Expense (Benefit)	7,753	6,470	4,257	7,746	(4,934)
Net Income (Loss)	16,795	12,562	9,155	15,164	(7,940)
<b><u>Premiums Written By Major Segment (%)</u></b>					
Personal Lines - DPW	66.65	63.89	59.50	58.59	53.59
Commercial Lines - DPW	33.35	36.11	40.50	41.41	46.41
Personal Lines - NPW	74.45	66.46	59.97	67.66	55.66
Commercial Lines - NPW	25.55	33.54	40.03	32.34	44.34
<b><u>Operating Ratios (%)</u></b>					
Growth Rate - DPW	4.79	(4.70)	4.60	1.54	20.65
Growth Rate - NPW	0.02	(8.26)	18.95	(6.10)	26.49
Loss and LAE Ratio	60.14	67.82	73.85	61.71	92.20
Expense Ratio	25.98	22.40	21.16	22.96	19.72
Policyholder Dividend Ratio	0.40	0.00	0.36	0.00	0.19
Combined Ratio	86.51	90.22	95.38	84.68	112.11
Operating Ratio	83.51	87.28	92.99	81.76	109.28
Effective Tax Rate	31.58	33.99	31.74	33.81	NM
Net Yield on Invested Assets	2.16	2.26	2.22	2.55	2.77
Return on Average Equity	12.52	10.40	8.49	16.46	(8.99)
Return on Average Assets	7.05	5.53	4.43	8.60	(4.78)

**Exhibit III-4 (continued)**  
**Nodak Mutual Insurance Company (Group)**  
**Statutory Financial Data**  
As of or For the Years Ended December 31, 2011 to 2015  
(Dollars in Thousands)

	For the Years Ended December 31,				
	2015	2014	2013	2012	2011
<b><u>Underwriting Revenue</u></b>					
Direct Premiums Written	\$ 172,774	\$ 164,883	\$ 173,021	\$ 165,415	\$ 162,908
Personal P&C Direct Premiums	115,159	105,348	102,952	96,917	87,304
Commercial P&C Direct Premiums	57,615	59,534	70,069	68,498	75,604
Net Reinsurance Premiums	(29,710)	(21,843)	(17,098)	(34,333)	(23,305)
Net Premiums Written	143,064	143,040	155,923	131,083	139,603
Change in Unearned Premiums Reserve	3,592	2,143	1,296	5,910	5,235
Net Premiums Earned	139,472	140,897	154,627	125,173	134,368
<b><u>Underwriting Deductions</u></b>					
Net Losses Paid - Personal	61,250	64,853	50,215	48,962	57,809
Net Losses Paid - Commercial	19,070	26,068	38,817	17,799	63,282
Net Losses Paid	80,321	90,921	89,031	66,761	121,091
Net LAE Paid	8,163	7,755	7,943	8,060	8,213
Change in Loss Reserves - Personal	965	(308)	9,669	37	(4,004)
Change in Loss Reserves - Commercial	(5,917)	(2,549)	7,099	2,985	(1,605)
Change in LAE Reserves	344	(268)	457	(593)	188
Net Change in Loss and LAE Reserves	(4,608)	(3,126)	17,225	2,429	(5,420)
Losses and LAE Incurred	83,875	95,550	114,199	77,250	123,885
Other Underwriting Expense Incurred	37,169	32,041	33,000	30,102	27,529
Net Underwriting Gain (Loss)	18,429	13,306	7,428	17,820	(17,045)
<b><u>Investment Income</u></b>					
Net Investment Income	4,183	4,134	3,694	3,649	3,807
Net Realized Capital Gains (Losses)	635	(11)	457	609	(117)
<b><u>Other Income</u></b>					
Finance Service Charges	1,710	1,567	2,185	523	381
All Other Income	144	35	199	309	362
<b><u>Net Income</u></b>					
Net Income (Loss) Before Taxes	24,548	19,032	13,412	22,910	(12,874)
Federal Income Tax Expense (Benefit)	7,753	6,470	4,257	7,746	(4,934)
Net Income (Loss)	16,795	12,562	9,155	15,164	(7,940)
<b><u>Change in Capital and Surplus</u></b>					
Capital and Surplus, Beginning of Period	\$ 127,019	\$ 114,510	\$ 101,278	\$ 83,560	\$ 93,618
Net Income (Loss)	16,795	12,562	9,155	15,164	(7,940)
Net Unrealized Capital Gains (Losses)	(2,324)	(70)	4,093	1,689	(207)
Change in Surplus Notes	0	0	0	0	0
All Other Changes in Surplus	(155)	16	(17)	866	(2,455)
Capital and Surplus, End of Period	\$ 141,334	\$ 127,019	\$ 114,510	\$ 101,278	\$ 83,016

**Exhibit III-4 (continued)**  
**Nodak Mutual Insurance Company (Group)**  
**Statutory Financial Data**  
As of or For the Years Ended December 31, 2011 to 2015  
(Dollars in Thousands)

	For the Years Ended December 31,				
	2015	2014	2013	2012	2011
<b><u>Operating Ratios (%)</u></b>					
Loss Ratio	54.04	62.50	68.42	55.75	85.95
Loss Adjustment Expense Ratio	6.10	5.31	5.43	5.97	6.25
Loss and LAE Ratio	60.14	67.82	73.85	61.71	92.20
Expense Ratio	25.98	22.40	21.16	22.96	19.72
Policyholder Dividend Ratio	0.40	0.00	0.36	0.00	0.19
Combined Ratio	86.51	90.22	95.38	84.68	112.11
Operating Ratio	83.51	87.28	92.99	81.76	109.28
<b><u>Premium Analysis</u></b>					
Direct Premiums Written (DPW)	\$ 172,774	\$ 164,883	\$ 173,021	\$ 165,415	\$ 162,908
Net Premiums Written (NPW)	143,064	143,040	155,923	131,083	139,603
Annual Growth DPW (%)	4.79	(4.70)	4.60	1.54	20.65
Annual Growth NPW (%)	0.02	(8.26)	18.95	(6.10)	26.49
<b><u>DPW by Line of Business (%)</u></b>					
Major Segment - Personal (est.)	66.65	63.89	59.50	58.59	53.59
Major Segment - Commercial (est.)	33.35	36.11	40.50	41.41	46.41
Home / Farmowners Multi-Peril	32.81	31.33	27.81	27.09	23.65
Private Automobile (est.)	33.84	32.56	31.70	31.50	29.94
Fire and Allied Lines Combined	29.62	32.24	36.71	37.54	43.01
Commercial Multi-Peril Combined	2.20	2.31	2.25	2.37	2.01
Other Liability	1.17	1.18	1.13	0.96	0.89
Commercial Automobile (est.)	0.36	0.38	0.41	0.53	0.50
<b><u>Loss and LAE Ratio by Line of Business (%)</u></b>					
Major Segment - Personal (est.)	68.55	76.57	72.88	66.88	82.49
Major Segment - Commercial (est.)	36.21	50.97	75.28	51.44	103.88
Home / Farmowners Multi-Peril	64.09	82.79	73.34	66.40	110.84
Private Automobile (est.)	72.50	71.31	72.53	67.25	65.12
Fire and Allied Lines Combined	42.30	56.57	82.36	44.60	105.38
Commercial Multi-Peril Combined	34.42	56.86	60.27	20.60	71.93
Other Liability	(7.51)	(16.04)	4.74	20.42	55.68
Commercial Automobile (est.)	(4.21)	104.66	96.38	8.20	22.26
<b><u>Combined Ratio by Line of Business (%)</u></b>					
Major Segment - Personal (est.)	97.52	105.69	102.45	94.63	105.94
Major Segment - Commercial (est.)	54.99	60.07	84.74	64.40	119.35
Home / Farmowners Multi-Peril	94.56	112.02	102.99	97.04	132.58
Private Automobile (est.)	100.10	100.33	102.03	92.65	89.78
Fire and Allied Lines Combined	59.49	62.26	88.91	53.71	112.92
Commercial Multi-Peril Combined	58.00	78.71	83.05	45.14	92.88
Other Liability	17.55	7.35	29.49	47.10	118.95
Commercial Automobile (est.)	18.72	126.09	118.02	31.96	42.76

**Exhibit III-4 (continued)**  
**Nodak Mutual Insurance Company (Group)**  
**Statutory Financial Data**  
As of or For the Years Ended December 31, 2011 to 2015  
(Dollars in Thousands)

	For the Years Ended December 31,				
	2015	2014	2013	2012	2011
<b><u>Investment Income</u></b>					
Net Investment Income	\$ 4,183	\$ 4,134	\$ 3,694	\$ 3,649	\$ 3,807
Realized Capital Gains	635	(11)	457	609	(117)
Unrealized Capital Gains (Losses)	(2,324)	(70)	4,093	1,689	(207)
<b><u>Investment Portfolio Composition (%)</u></b>					
Total Cash and Investments	\$ 201,915	\$ 56,132	\$ 57,763	\$ 62,804	\$ 63,031
Bonds	73.94	68.46	67.70	70.21	74.15
Common Stocks	15.23	17.28	15.27	13.54	11.93
Real Estate	1.94	2.13	1.99	2.38	2.80
Cash and Short-term Investments	7.07	10.15	13.01	11.49	8.42
Other Investments	1.82	1.99	2.03	2.39	2.69
<b><u>Investment Yields by Type (%)</u></b>					
Net Yield on Invested Assets	2.16	2.26	2.22	2.55	2.77
Gross Yield - Bonds	3.16	3.46	3.28	3.44	3.52
Gross Yield - Common Stocks	1.16	0.96	0.94	1.56	0.98
Gross Yield - Real Estate	22.74	21.84	22.53	20.98	20.22
Gross Yield - Cash and Short-term Investments	0.24	0.22	0.36	0.77	1.03
Gross Yield - Other Investments	11.96	NM	NM	NM	NM
<b><u>Bond Portfolio Composition (%)</u></b>					
Total Bonds	\$ 151,504	\$ 128,864	\$ 126,332	\$ 111,232	\$ 104,125
U.S. Government	2.61	2.83	4.87	8.73	30.45
Political Subdivisions	43.86	45.51	46.42	46.54	46.82
Special Revenue	14.23	14.51	11.03	6.31	0.20
Industrial	39.31	37.15	37.68	38.42	22.53
<b><u>Bond Average Asset Quality (NAIC Des# 1-6)</u></b>					
Total Bonds	1.10	1.11	1.08	1.09	1.00
U.S. Government	1.00	1.00	1.00	1.00	1.00
Political Subdivisions	1.00	1.00	1.00	1.00	1.00
Special Revenue	1.00	1.00	1.00	1.00	1.00
Industrial	1.26	1.31	1.20	1.24	1.00
Bonds Rated 3 - 6 / Total Bonds (%)	0.52	0.62	0.00	0.00	0.00
Bonds Rated 3 - 6 / Capital and Surplus (%)	0.56	0.63	0.00	0.00	0.00
<b><u>Equity Investments</u></b>					
Total Common Stock	\$ 31,218	\$ 33,797	\$ 28,449	\$ 21,411	\$ 16,723
Total Preferred Stock	0	0	0	0	0
<b><u>Other Investments</u></b>					
Total Real Estate	\$ 3,969	\$ 3,999	\$ 3,713	\$ 3,764	\$ 3,928
Total Mortgage Loans	0	0	0	0	0

Source: SNL Financial, statutory financial data.

**Exhibit IV-1  
Financial Performance Data for Public Property and Casualty Insurance Companies**

Company	State	Total Assets (\$mil.)	Total Policy Reserves (\$mil.)	Total Equity (\$mil.)	Policy Resrvs./Equity (x)	Total Equity/Assets (%)	Tang. Equity/Assets (%)	LTM Total Revenue (\$mil.)	Net Prem. Written/ Avg.Eq. (x)	LTM Loss Ratio (%)	LTM Exp. Ratio (%)	LTM Comb. Ratio (%)	LTM ROA (%)	LTM ROE (%)
1347 Property Insurance Holdings	FL	82	26	48	0.54	57.88	57.88	27	0.63	38.3	53.3	91.6	(2.12)	(3.45)
Alleghany Corporation	NY	22,846	12,875	7,580	1.70	33.18	32.13	4,999	0.59	55.3	33.7	89.0	2.39	7.43
Allstate Corporation	IL	104,656	69,613	20,025	3.48	19.13	18.18	35,653	NA	69.4	25.5	94.9	2.03	10.20
American Financial Group, Inc.	OH	49,859	37,514	4,770	7.86	9.57	9.11	6,145	0.87	63.8	30.9	94.7	0.75	7.44
American International Group, Inc.	NY	496,943	271,645	90,210	3.01	18.15	17.89	58,327	0.37	77.5	34.9	112.4	0.44	2.16
AMERISAFE, Inc.	LA	1,502	934	454	2.06	30.22	30.22	401	0.83	57.1	22.7	79.8	4.63	15.64
AmTrust Financial Services, Inc.	NY	17,112	11,223	3,086	3.64	18.03	14.01	4,759	1.59	66.7	24.3	91.0	3.23	19.09
Atlas Financial Holdings, Inc.	IL	412	235	130	1.81	31.49	30.20	157	1.39	59.2	27.8	87.0	3.84	11.86
Baldwin & Lyons, Inc.	IN	1,086	539	394	1.37	36.33	36.15	280	0.64	59.2	32.2	91.4	2.09	5.83
Berkshire Hathaway Inc.	NE	552,257	100,952	258,627	0.39	46.83	37.61	210,821	0.17	77.4	18.2	95.6	4.53	9.80
Cincinnati Financial Corporation	OH	18,888	9,502	6,427	1.48	34.03	34.03	5,142	0.71	60.2	30.9	91.1	3.37	9.77
CNA Financial Corporation	IL	55,047	36,486	11,756	3.10	21.36	21.02	9,101	0.57	61.0	34.4	95.4	0.87	3.89
Conifer Holdings, Inc.	MI	178	83	77	1.08	43.42	NA	71	1.31	56.8	45.3	102.1	(0.01)	(0.03)
Donegal Group Inc.	PA	1,538	1,008	408	2.47	26.56	26.24	636	1.47	65.8	33.2	99.0	1.39	4.89
EMC Insurance Group Inc.	IA	1,536	927	525	1.77	34.18	34.14	624	1.12	65.0	31.3	96.3	3.29	9.66
Employers Holdings, Inc.	NV	3,756	2,656	761	3.49	20.26	19.30	752	0.95	62.2	31.9	94.1	2.49	13.04
Federated National Holding Co.	FL	638	351	251	1.40	39.29	39.29	250	0.98	49.7	38.2	87.9	6.85	17.65
First Acceptance Corporation	TN	402	205	104	1.98	25.78	18.05	332	2.67	82.0	17.8	99.8	(0.51)	(1.82)
Hallmark Financial Services, Inc.	TX	1,077	667	262	2.55	24.34	19.90	372	1.37	65.9	28.0	93.9	2.11	8.39
Hanover Insurance Group, Inc.	MA	13,791	9,115	2,844	3.20	20.63	19.54	5,034	1.60	61.3	34.4	95.7	2.37	11.50
HCI Group, Inc.	FL	637	239	238	1.01	37.32	37.32	286	1.17	30.9	32.8	63.6	9.89	30.24
Heritage Insurance Holdings, Inc.	FL	837	386	357	1.08	42.58	42.58	395	1.30	37.5	27.5	65.0	11.92	29.89
Horace Mann Educators Corp.	IL	10,059	6,376	1,265	5.04	12.57	12.16	1,080	0.94	70.5	26.5	97.0	0.94	7.02
Infinity Property and Casualty Corp.	AL	2,387	1,287	688	1.87	28.81	26.49	1,484	1.96	76.9	18.7	95.6	2.11	7.36
Kingstone Companies, Inc.	NY	149	90	45	1.99	30.36	29.53	64	1.42	47.7	32.3	80.0	4.91	16.39
Loews Corporation	NY	76,029	36,486	22,810	1.60	30.00	29.68	13,415	0.29	61.0	34.4	95.4	0.37	1.19
Markel Corporation	VA	24,941	13,541	7,841	1.73	31.44	25.59	5,370	0.49	50.7	38.1	89.0	2.34	7.59
Mercury General Corporation	CA	4,629	2,196	1,821	1.21	39.34	38.35	3,009	1.62	72.5	26.7	99.2	1.61	4.03

**Exhibit IV-1 (continued)**  
**Financial Performance Data for Public Property and Casualty Insurance Companies**

Company	State	Total Assets (\$mil.)	Total Policy Reserves (\$mil.)	Total Equity (\$mil.)	Policy Resrvs./ Equity (x)	Total Equity/ Assets (%)	Tang. Equity/ Assets (%)	LTM Total Revenue (\$mil.)	Net Prem. Written/ Avg. Eq. (x)	LTM Loss Ratio (%)	LTM Exp. Ratio (%)	LTM Comb. Ratio (%)	LTM ROA (%)	LTM ROE (%)
National General Holdings Corp.	NY	5,563	2,948	1,537	1.92	27.62	21.08	2,511	1.62	64.9	29.1	94.0	3.23	11.56
National Interstate Corporation	OH	1,936	1,351	359	3.76	18.54	18.22	619	1.68	80.6	19.8	100.4	1.12	5.78
National Security Group, Inc.	AL	148	77	45	1.72	30.31	30.31	64	1.37	55.4	35.6	91.0	3.19	10.64
Navigators Group, Inc.	CT	4,584	3,023	1,096	2.76	23.91	23.80	1,059	0.98	58.2	35.9	94.1	1.78	7.64
Old Republic International Corp.	IL	17,102	11,065	3,881	2.85	22.69	21.96	5,766	1.23	47.5	48.5	96.0	2.45	10.75
ProAssurance Corporation	AL	4,908	2,367	1,958	1.21	39.90	35.94	772	0.34	59.2	31.3	90.5	2.31	5.63
Progressive Corporation	OH	29,819	16,661	7,289	2.29	24.45	21.98	20,831	2.82	72.1	20.4	92.5	4.57	17.86
RLI Corp.	IL	2,735	1,526	823	1.85	30.10	28.23	806	0.87	42.7	41.8	84.5	4.99	16.49
Safety Insurance Group, Inc.	MA	1,704	956	644	1.48	37.83	37.83	798	1.13	83.0	29.0	112.0	(0.81)	(2.10)
Selective Insurance Group, Inc.	NJ	6,904	4,687	1,398	3.35	20.25	20.16	2,132	1.56	57.7	34.8	92.5	2.45	12.47
State Auto Financial Corporation	OH	2,829	1,669	885	1.89	31.27	31.23	1,369	1.44	67.9	33.6	101.5	1.83	5.79
State National Companies, Inc.	TX	2,388	1,950	263	7.40	11.03	10.81	199	0.47	NA	NA	NA	2.00	17.31
Travelers Companies, Inc.	MN	100,184	64,640	23,598	2.74	23.55	20.50	26,815	0.99	56.6	31.7	88.3	3.37	14.15
Trupanion, Inc.	WA	71	6	45	0.14	63.96	61.31	147	NA	NA	NA	NA	(22.25)	(33.36)
Unico American Corporation	CA	140	67	70	0.95	50.18	50.18	33	0.44	65.0	22.0	87.0	(0.86)	(1.66)
United Fire Group, Inc.	IA	3,890	2,791	879	3.18	22.59	22.08	1,035	1.15	61.0	31.0	92.0	2.30	10.58
United Insurance Holdings Corp.	FL	740	381	239	1.59	32.32	32.01	358	1.74	54.5	39.5	94.0	3.86	12.35
Universal Insurance Holdings, Inc.	FL	994	541	293	1.85	29.50	NA	547	2.44	37.2	NA	NA	10.53	41.49
W. R. Berkley Corporation	CT	21,731	13,806	4,633	2.98	21.32	20.42	7,206	1.35	60.5	33.2	93.7	2.32	10.96
White Mountains Insurance Group	NH	10,285	2,008	4,368	0.46	42.47	40.29	1,809	0.27	59.7	36.9	96.6	2.68	6.33
Overall P&C Insurance Group Median		3,292	1,979	851	1.88	30.05	27.36	920	1.14	60.8	31.9	94.0	2.33	9.72
Overall P&C Insurance Group Mean		35,040	15,827	10,377	2.30	30.14	28.37	9,247	1.15	60.5	31.6	92.6	2.27	9.32

Source: SNL Financial.

**Exhibit IV-2**

**Market Valuation Data for Public Property and Casualty Insurance Companies**

Company	Ticker	Exchange	State	Closing Price 4/29/16 (\$)	Total Market Value (\$mil.)	Price/ Book Value (%)	Price/ Tang. Book (%)	Price/ LTM EPS (x)	Price/ Oper. EPS (x)	Price/ 2015 Est. EPS (x)	Price/ LTM Rev. (x)	Price/ Total Assets (%)	Current Div. Yield (%)	One-Yr. Price Change (%)
1347 Property Insurance Holdings	PIH	NASDAQ	FL	5.60	34	72.3	72.3	NM	NA	NA	1.26	41.67	0.00	(25.23)
Alleghany Corporation	Y	NYSE	NY	521.28	8,054	107.3	112.5	14.84	16.36	17.99	1.61	35.25	0.00	9.13
Allstate Corporation	ALL	NYSE	IL	65.05	24,426	136.0	145.8	12.88	12.53	14.00	0.69	23.34	2.03	(7.40)
American Financial Group, Inc.	AFG	NYSE	OH	69.11	6,010	131.6	139.2	17.54	12.70	12.12	0.98	12.05	1.62	8.36
American International Group, Inc.	AIG	NYSE	NY	55.82	63,290	74.3	75.7	33.83	25.49	11.86	1.09	12.74	2.29	(1.47)
AMERISAFE, Inc.	AMSF	NASDAQ	LA	53.88	1,031	227.0	227.0	12.92	12.71	14.82	2.57	68.62	1.34	16.85
AmTrust Financial Services, Inc.	AFSI	NASDAQ	NY	24.85	4,358	180.2	268.8	8.88	7.94	8.26	0.92	25.47	2.41	(17.24)
Atlas Financial Holdings, Inc.	AFH	NASDAQ	IL	17.57	209	172.7	184.3	15.55	14.40	9.92	1.33	50.76	0.00	(7.48)
Baldwin & Lyons, Inc.	BWINB	NASDAQ	IN	24.44	365	93.1	93.8	15.77	15.28	14.46	1.30	33.61	4.26	5.44
Berkshire Hathaway Inc.	BRK.A	NYSE	NE	219,000	359,275	140.8	207.0	14.94	20.73	18.23	1.70	65.06	0.00	2.15
Cincinnati Financial Corporation	CINF	NASDAQ	OH	66.01	10,857	161.1	161.1	15.79	17.10	21.57	2.11	57.48	2.91	29.41
CNA Financial Corporation	CNA	NYSE	IL	31.60	8,543	72.6	74.1	17.85	16.63	10.53	0.94	15.52	3.16	(22.38)
Conifer Holdings, Inc.	CNFR	NASDAQ	MI	6.78	52	67.1	65.8	NM	NM	11.59	NA	NA	NA	NA
Donegal Group Inc.	DGICA	NASDAQ	PA	15.31	394	97.8	99.4	16.08	13.55	10.20	0.62	25.64	3.59	0.79
EMC Insurance Group Inc.	EMCI	NASDAQ	IA	26.46	554	104.7	104.9	10.89	11.81	14.58	0.89	36.08	2.87	14.08
Employers Holdings, Inc.	EIG	NYSE	NV	29.70	964	120.0	127.1	9.55	10.96	12.76	1.28	25.65	1.21	13.14
Federated National Holding Co.	FNHC	NASDAQ	FL	19.05	274	113.0	113.0	6.52	6.93	7.43	1.10	42.89	1.26	(36.05)
First Acceptance Corporation	FAC	NYSE	TN	1.70	70	67.3	106.2	NM	NA	NA	0.21	17.36	0.00	(41.38)
Hallmark Financial Services, Inc.	HALL	NASDAQ	TX	11.29	214	82.3	106.5	9.99	10.86	9.25	0.57	19.88	0.00	(0.27)
Hanover Insurance Group, Inc.	THG	NYSE	MA	85.76	3,683	129.6	138.7	11.59	13.72	13.59	0.73	26.70	2.15	22.55
HCI Group, Inc.	HCI	NYSE	FL	29.96	323	129.7	129.7	5.08	NA	7.66	1.13	50.72	4.01	(31.92)
Heritage Insurance Holdings, Inc.	HRTG	NYSE	FL	13.29	405	113.5	113.5	4.36	NA	4.69	1.02	48.31	1.50	(36.11)
Horace Mann Educators Corp.	HMN	NYSE	IL	31.10	1,255	99.8	103.6	14.14	15.55	14.03	1.16	12.47	3.41	(11.19)
Infinity Property and Casualty Corp.	IPCC	NASDAQ	AL	80.16	882	130.0	146.0	17.77	18.43	16.77	0.59	36.95	2.59	4.69
Kingstone Companies, Inc.	KINS	NASDAQ	NY	9.33	74	151.0	157.1	9.93	9.82	7.71	1.15	49.50	2.68	23.74
Loews Corporation	L	NYSE	NY	39.68	13,452	76.8	78.4	55.11	48.99	15.11	1.00	17.69	0.63	(5.28)
Markel Corporation	MKL	NYSE	VA	899.11	12,559	160.2	213.7	21.54	25.17	33.78	2.34	50.35	0.00	20.79
Mercury General Corporation	MCY	NYSE	CA	52.90	2,923	160.3	167.1	39.19	22.61	20.11	0.97	63.15	4.69	(4.60)

**Exhibit IV-2 (continued)**  
**Market Valuation Data for Public Property and Casualty Insurance Companies**

Company	Ticker	Exchange	State	Closing Price 4/29/16 (\$)	Total Market Value (\$mil.)	Price/ Book Value (%)	Price/ Tang. Book (%)	Price/ LTM EPS (x)	Price/ Oper. EPS (x)	Price/ 2015 Est. EPS (x)	Price/ LTM Rev. (x)	Price/ Total Assets (%)	Current Div. Yield (%)	One-Yr. Price Change (%)
National General Holdings Corp.	NGHC	NASDAQ	NY	20.19	2,134	164.7	256.0	15.90	11.34	11.11	0.85	38.36	0.59	3.75
National Interstate Corporation	NATL	NASDAQ	OH	30.79	615	170.8	174.5	29.32	26.54	19.39	0.99	31.79	1.82	9.61
National Security Group, Inc.	NSEC	NASDAQ	AL	15.82	40	88.6	88.6	8.46	9.09	NA	0.62	26.84	1.14	3.33
Navigators Group, Inc.	NAVG	NASDAQ	CT	82.61	1,201	108.8	109.4	15.10	15.89	15.94	1.13	26.20	0.00	4.81
Old Republic International Corp.	ORI	NYSE	IL	18.49	4,848	117.0	130.2	11.93	14.33	14.61	0.84	28.35	4.06	18.83
ProAssurance Corporation	PRA	NYSE	AL	47.73	2,535	129.4	153.1	22.62	18.29	18.87	3.28	51.64	2.60	5.71
Progressive Corporation	PGR	NYSE	OH	32.60	19,006	251.4	286.5	15.60	16.46	16.65	0.91	63.74	2.72	22.79
RLI Corp.	RLI	NYSE	IL	62.18	2,716	311.3	339.5	19.93	24.19	26.79	3.37	99.27	1.22	23.45
Safety Insurance Group, Inc.	SAFT	NASDAQ	MA	56.61	858	132.6	132.6	NM	NM	14.55	1.08	50.36	4.95	(3.15)
Selective Insurance Group, Inc.	SIGI	NASDAQ	NJ	34.71	2,001	142.4	143.2	12.18	12.86	13.16	0.94	28.97	1.73	25.53
State Auto Financial Corporation	STFC	NASDAQ	OH	20.51	851	95.8	95.9	16.67	24.13	16.19	0.62	30.09	1.95	(13.64)
State National Companies, Inc.	SNC	NASDAQ	TX	11.28	482	182.8	187.0	11.17	NA	11.55	2.42	20.17	2.13	15.93
Travelers Companies, Inc.	TRV	NYSE	MN	109.90	32,134	133.0	158.3	10.34	10.29	11.46	1.20	32.08	2.44	6.85
Trupanion, Inc.	TRUP	NYSE	WA	12.47	356	NM	NM	NM	NA	NA	2.42	502.52	0.00	58.85
Unico American Corporation	UNAM	NASDAQ	CA	11.25	60	85.0	85.0	NM	NA	NA	1.79	42.59	0.00	6.94
United Fire Group, Inc.	UFCS	NASDAQ	IA	44.82	1,135	128.3	132.1	12.70	12.95	17.50	1.10	29.16	1.96	44.49
United Insurance Holdings Corp.	UIHC	NASDAQ	FL	16.31	352	143.6	145.7	11.57	NA	10.48	0.98	47.60	1.23	(17.63)
Universal Insurance Holdings, Inc.	UVE	NYSE	FL	17.61	629	211.0	NA	5.93	NA	5.98	1.15	63.27	3.18	(30.26)
W. R. Berkley Corporation	WRB	NYSE	CT	56.00	6,866	144.5	158.6	14.32	16.00	16.36	0.95	31.59	0.86	13.73
White Mountains Insurance Group	WTM	NYSE	NH	830.00	4,495	119.3	131.9	16.40	NA	NM	2.49	43.71	0.12	23.95
Overall P&C Insurance Group Median				NA	1,083	129.6	132.3	14.58	14.84	14.01	1.09	35.25	1.82	4.81
Overall P&C Insurance Group Mean				NA	12,663	132.6	144.4	15.78	16.46	14.13	1.29	47.94	1.82	3.13

Source: SNL Financial.



**Exhibit V-1**  
**Pro Forma Assumptions for Conversion Valuation**

1. The initial offering price is \$10.00 per share and the number of shares offered is computed by dividing the estimated pro forma market value by the offering price.
2. The total amount of the net offering proceeds was fully invested at the beginning of the applicable period.
3. The net offering proceeds are invested to yield a return of 1.76%, which represents the yield on a five-year U.S. Treasury bond as of December 31, 2015. The effective income tax rate was assumed to be 34.0%, resulting in a net after-tax yield of 1.16%.
4. Fixed expenses related to the offering are estimated to equal \$1.75 million. Variable expenses representing marketing fees are estimated at 2.0% of the gross proceeds raised in the offering.
5. It is assumed that the ESOP acquires \$2.4 million of the common stock to be sold in the offering. Pro forma adjustments have been made to earnings and equity to reflect the impact of the ESOP. The annual expense is estimated based on a 10-year loan to the ESOP from the Company. No re-investment is assumed on proceeds used to fund the ESOP.
6. The value of a subscription right has been determined by Feldman Financial to equal \$0.67 per right. The number of subscription rights that will be redeemed is uncertain. For purposes of these exhibits, we have assumed that 90% of eligible members will elect to redeem their subscription rights rather than exercise them. The number of subscription rights granted is calculated based on the midpoint of the offering (\$200.0 million on a fully converted basis and \$90.0 million on an MHC offering basis), divided by the \$10.00 per share offering price, or 20,000,000 subscription rights on a fully converted basis. Subscription rights are allocated on a per capita basis and therefore all eligible members would have the same number of subscription rights. If 90% of eligible members were to elect to redeem their subscription rights for cash, then 18,000,000 subscription rights would be redeemed and \$12.06 million in net offering proceeds would fund this redemption obligation on a fully converted basis. For the MHC offering, the redemption obligation is estimated at \$5.427 million.
7. The estimated value of a subscription right has been estimated at \$0.67 per right using the Black-Scholes option pricing model with the following assumptions: a common stock share price and right exercise price of \$10.00; an expected right life of 90 days; a risk-free interest rate of 0.16% based on the three-month U.S. Treasury constant maturity yield as of December 31, 2015; and a volatility rate of 33.57% based on the average stock price volatility for the Comparative Group companies for the year ended December 31, 2015.
8. No effect has been given in the pro forma equity calculation for the assumed earnings on the net proceeds.
9. The calculation of operating income excludes the after-tax impact of net realized securities gains (or losses) and any extraordinary items.

**Exhibit V-2**  
**Pro Forma Conversion Valuation Range – Fully Converted**  
**Nodak Mutual Insurance Company**  
 Historical Financial Data as of December 31, 2015  
 (Dollars in Thousands, Except Per Share Data)

	<i>Minimum</i>	<i>Midpoint</i>	<i>Maximum</i>
Shares outstanding	17,000,000	20,000,000	23,000,000
Shares sold (100% of outstanding shares)	17,000,000	20,000,000	23,000,000
Offering price	\$ 10.00	\$ 10.00	\$ 10.00
<b>Pro Forma Market Capitalization</b>	<b>\$ 170,000</b>	<b>\$ 200,000</b>	<b>\$ 230,000</b>
<b>Gross offering proceeds</b>	<b>\$ 170,000</b>	<b>\$ 200,000</b>	<b>\$ 230,000</b>
Less: estimated offering expenses	(5,150)	(5,750)	(6,350)
Less: loan for ESOP stock purchase	(2,400)	(2,400)	(2,400)
Less: estimated subscription rights redemption	(12,060)	(12,060)	(12,060)
Net proceeds	<b>\$ 150,390</b>	<b>\$ 179,790</b>	<b>\$ 209,190</b>
<b>Net Income Attributable to Shareholders:</b>			
LTM ended December 31, 2015	\$ 17,552	\$ 17,552	\$ 17,552
Pro forma income on net proceeds	1,745	2,086	2,427
Pro forma ESOP adjustment	(158)	(158)	(158)
Pro forma net income	<b>\$ 19,139</b>	<b>\$ 19,480</b>	<b>\$ 19,821</b>
Pro forma earnings per share	<b>\$ 1.14</b>	<b>\$ 0.99</b>	<b>\$ 0.87</b>
<b>Operating Income:</b>			
LTM ended December 31, 2015	\$ 16,549	\$ 16,549	\$ 16,549
Pro forma income on net proceeds	1,745	2,086	2,427
Pro forma ESOP adjustment	(158)	(158)	(158)
Pro forma operating income	<b>\$ 18,136</b>	<b>\$ 18,477</b>	<b>\$ 18,818</b>
Pro forma operating earnings per share	<b>\$ 1.08</b>	<b>\$ 0.93</b>	<b>\$ 0.83</b>
<b>Total Revenue:</b>			
LTM ended December 31, 2015	\$ 146,473	\$ 146,473	\$ 146,473
Pro forma revenue on net proceeds, pre-tax	2,647	3,164	3,682
Pro forma total revenue	<b>\$ 149,120</b>	<b>\$ 149,637</b>	<b>\$ 150,155</b>
<b>Common Shareholders' Equity:</b>			
As of December 31, 2015	\$ 147,010	\$ 147,010	\$ 147,010
Net proceeds	150,390	179,790	209,190
Pro forma common equity	<b>\$ 297,400</b>	<b>\$ 326,800</b>	<b>\$ 356,200</b>
Pro forma book value per share	<b>\$ 17.49</b>	<b>\$ 16.34</b>	<b>\$ 15.49</b>
<b>Tangible Common Shareholders' Equity:</b>			
As of December 31, 2015	\$ 144,281	\$ 144,281	\$ 144,281
Net proceeds	150,390	179,790	209,190
Pro forma tangible common equity	<b>\$ 294,671</b>	<b>\$ 324,071</b>	<b>\$ 353,471</b>
Pro forma tangible book value per share	<b>\$ 17.33</b>	<b>\$ 16.20</b>	<b>\$ 15.37</b>
<b>Total Assets:</b>			
As of December 31, 2015	\$ 250,032	\$ 250,032	\$ 250,032
Net proceeds	150,390	179,790	209,190
Pro forma total assets	<b>\$ 400,422</b>	<b>\$ 429,822</b>	<b>\$ 459,222</b>
<b>Pro Forma Ratios:</b>			
Price / LTM EPS	8.76	10.15	11.49
Price / Operating EPS	9.25	10.70	12.10
Price / LTM Revenue	1.14	1.34	1.53
Price / Book Value	57.16%	61.20%	64.57%
Price / Tangible Book Value	57.69%	61.71%	65.07%
Price / Total Assets	42.46%	46.53%	50.08%
Total Equity / Assets	75.14%	76.84%	78.32%
Tangible Equity / Assets	74.97%	76.69%	78.19%

**Exhibit V-3**  
**Pro Forma MHC Offering Range**  
**Nodak Mutual Insurance Company**  
Historical Financial Data as of December 31, 2015  
(Dollars in Thousands, Except Per Share Data)

	<i>Minimum</i>	<i>Midpoint</i>	<i>Maximum</i>
Shares outstanding	17,000,000	20,000,000	23,000,000
Shares sold (45% of outstanding shares)	7,650,000	9,000,000	10,350,000
Offering price	\$ 10.00	\$ 10.00	\$ 10.00
<b>Pro Forma Market Capitalization</b>	<b>\$ 170,000</b>	<b>\$ 200,000</b>	<b>\$ 230,000</b>
<b>Gross offering proceeds</b>	<b>\$ 76,500</b>	<b>\$ 90,000</b>	<b>\$ 103,500</b>
Less: estimated offering expenses	(3,280)	(3,550)	(3,820)
Less: loan for ESOP stock purchase	(2,400)	(2,400)	(2,400)
Less: estimated subscription rights redemption	(5,427)	(5,427)	(5,427)
Net proceeds	<b>\$ 65,393</b>	<b>\$ 78,623</b>	<b>\$ 91,853</b>
<b>Net Income Attributable to Shareholders:</b>			
LTM ended December 31, 2015	\$ 17,552	\$ 17,552	\$ 17,552
Pro forma income on net proceeds	759	912	1,065
Pro forma ESOP adjustment	(158)	(158)	(158)
Pro forma net income	<b>\$ 18,153</b>	<b>\$ 18,306</b>	<b>\$ 18,459</b>
Pro forma earnings per share	<b>\$ 1.08</b>	<b>\$ 0.93</b>	<b>\$ 0.81</b>
<b>Operating Income:</b>			
LTM ended December 31, 2015	\$ 16,549	\$ 16,549	\$ 16,549
Pro forma income on net proceeds	759	912	1,065
Pro forma ESOP adjustment	(158)	(158)	(158)
Pro forma operating income	<b>\$ 17,150</b>	<b>\$ 17,303</b>	<b>\$ 17,456</b>
Pro forma operating earnings per share	<b>\$ 1.02</b>	<b>\$ 0.88</b>	<b>\$ 0.77</b>
<b>Total Revenue:</b>			
LTM ended December 31, 2015	\$ 146,473	\$ 146,473	\$ 146,473
Pro forma revenue on net proceeds, pre-tax	1,151	1,384	1,617
Pro forma total revenue	<b>\$ 147,624</b>	<b>\$ 147,857</b>	<b>\$ 148,090</b>
<b>Common Shareholders' Equity:</b>			
As of December 31, 2015	\$ 147,010	\$ 147,010	\$ 147,010
Net proceeds	65,393	78,623	91,853
Pro forma common equity	<b>\$ 212,403</b>	<b>\$ 225,633</b>	<b>\$ 238,863</b>
Pro forma book value per share	<b>\$ 12.49</b>	<b>\$ 11.28</b>	<b>\$ 10.39</b>
<b>Tangible Common Shareholders' Equity:</b>			
As of December 31, 2015	\$ 144,281	\$ 144,281	\$ 144,281
Net proceeds	65,393	78,623	91,853
Pro forma tangible common equity	<b>\$ 209,674</b>	<b>\$ 222,904</b>	<b>\$ 236,134</b>
Pro forma tangible book value per share	<b>\$ 12.33</b>	<b>\$ 11.15</b>	<b>\$ 10.27</b>
<b>Total Assets:</b>			
As of December 31, 2015	\$ 250,032	\$ 250,032	\$ 250,032
Net proceeds	65,393	78,623	91,853
Pro forma total assets	<b>\$ 315,425</b>	<b>\$ 328,655</b>	<b>\$ 341,885</b>
<b>Pro Forma Ratios:</b>			
Price / LTM EPS	9.24	10.80	12.34
Price / Operating EPS	9.78	11.43	13.05
Price / LTM Revenue	1.15	1.35	1.55
Price / Book Value	80.04%	88.64%	96.29%
Price / Tangible Book Value	81.08%	89.72%	97.40%
Price / Total Assets	53.90%	60.85%	67.27%
Total Equity / Assets	68.44%	69.71%	70.88%
Tangible Equity / Assets	68.17%	69.46%	70.65%

**Nodak Mutual Insurance Company**  
Fargo, North Dakota

**Subscription Rights Valuation Report**  
Prepared April 29, 2016

Prepared By

**Feldman Financial Advisors, Inc.**  
Washington, DC

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April 29, 2016

Board of Directors  
Nodak Mutual Insurance Company  
1101 First Avenue North  
Fargo, North Dakota 58102

Members of the Board:

At your request, we have completed and hereby provide an independent valuation (the "Valuation") of a subscription right granted to eligible members as defined in the Plan of Mutual Property and Casualty Insurance Conversion and Minority Offering ("Plan of Conversion") adopted by the Board of Directors of Nodak Mutual Insurance Company ("Nodak Mutual") on January 21, 2016. Nodak Mutual plans to convert from a mutual insurance company to a stock insurance company (the "Conversion") and issue all of its outstanding capital stock to Nodak Mutual Group, Inc. ("Nodak Mutual Group"), which will then contribute all of such shares to NI Holdings, Inc. ("NI Holdings") in exchange for 55% of the outstanding shares of common stock of NI Holdings. In conjunction with the Conversion, NI Holdings will offer 45% of its outstanding common stock for sale in a subscription offering. The Plan of Conversion provides that shares not subscribed for in the subscription offering, if any, will be offered for sale to members of the general public in a community offering and in a syndicated offering.

Subscription rights are defined in the Plan of Conversion as rights to subscribe for common stock of NI Holdings in the subscription offering. NI Holdings is offering shares of its common stock for sale in the initial public offering at a price of \$10.00 per share. Eligible members will be offered the preferential opportunity to exercise their subscription rights and purchase shares in the subscription offering, subject to certain individual minimum and maximum limitations, at a price of \$10.00 per share. The estimated value of a subscription right provided in the Valuation herein is expressed in relation to the initial stock price of \$10.00 per share and the subscription right exercise price of \$10.00 per share.

In accordance with the Plan of Conversion, rights to subscribe for the purchase of the common stock of NI Holdings have been granted to the following persons, listed in order of priority: (i) "eligible members" (as referred to in the Plan of Conversion), which means a person or entity who is a named insured under an insurance policy issued by Nodak Mutual that is in force as of the close of business on January 21, 2016; (ii) the employee stock ownership plan ("ESOP") of Nodak Mutual; and (iii) directors, officers, and employees of Nodak Mutual. Each eligible member may either: (i) exercise such subscription rights in whole or in part, or (ii) elect, either affirmatively or by failing to exercise such subscription rights, to have Nodak Mutual redeem for cash all, but not less than all, of such eligible member's subscription rights.

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**FELDMAN FINANCIAL ADVISORS, INC.**

Board of Directors  
Nodak Mutual Insurance Company  
April 29, 2016  
Page Two

In accordance with Subsection 26.1-12.2-03.5 of Chapter 26.1-12.2 of the Century Code of North Dakota, the dollar value of a subscription right must be determined by an independent expert based upon the application of the Black-Scholes option pricing model or another generally accepted option pricing model. Furthermore, as indicated by Subsection 26.1-12.2-03.5, the independent expert may assume, in determining the stock price volatility or other valuation inputs used in the option pricing model, that the attributes of the converting company are substantially similar to the attributes of the stocks of the peer companies used to determine the estimated pro forma market value of the converting company. Subsection 26.1-12.2-03.5 also specifies that the term of a subscription right is a minimum of ninety (90) days for the sole purpose of determining the value of a subscription right.


Feldman Financial Advisors, Inc. ("Feldman Financial") is a financial consulting and advisory firm that specializes in financial valuations and analyses of business enterprises and securities in the financial services industries. The background of Feldman Financial is presented in Exhibit 1. In connection with the Conversion, Feldman Financial prepared an independent appraisal (the "Appraisal") of the estimated pro forma market value of Nodak Mutual as of April 29, 2016. In preparing the Appraisal, among other actions and analyses, we reviewed and performed a comparison of the present financial condition and historical operating results of Nodak Mutual with that of a selected group of publicly traded insurance companies that we deemed relevant (the "Comparative Group"). We utilized this Comparative Group to determine the historical stock price volatility of peer companies to use as a proxy for the estimated expected volatility of the common stock of NI Holdings for application in the Black-Scholes option pricing model.

It is our opinion that, as of April 29, 2016, the estimated value of a subscription right in the Conversion was \$0.67 per right. This Valuation is not intended, and must not be construed, to be a recommendation of any kind as to the advisability of exercising subscription rights to purchase shares of common stock in the initial public offering or electing to redeem such subscription rights for cash.

Respectfully submitted,

**Feldman Financial Advisors, Inc.**

  
Trent R. Feldman  
President

  
Peter W. L. Williams  
Principal

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## **INTRODUCTION**

The Plan of Conversion and the applicable North Dakota insurance company conversion statutes require that the subscription rights granted in the Conversion to eligible members be independently valued using the Black-Scholes option pricing model or a comparable option pricing model. Feldman Financial used the Black-Scholes option pricing model to determine the value of a subscription right granted by Nodak Mutual in the Conversion. We also utilized the Comparative Group companies identified in the Appraisal to determine the average stock price volatility as a reasonable proxy for the volatility input variable in the Black-Scholes model.

The Black-Scholes option pricing model is a model for mathematically pricing financial instruments such as an option. An option is a security giving the right (but not the obligation) to buy an asset at a predetermined price within a specified period of time. The subscription rights granted under the Plan of Conversion are options to purchase shares of common stock of NI Holdings in the subscription offering. The result of the Black-Scholes model provides a theoretical estimate of the value of an option that can be exercised on a specified future date and is a reasonable and reliable application for estimating the value of a subscription right granted in the Conversion.

The Black-Scholes model was first presented by Fischer Black and Myron Scholes in their 1973 research paper, "The Pricing of Options and Corporate Liabilities," published in the *Journal of Political Economy*. At the time of publication, Fischer Black was an economist at the University of Chicago and Myron Scholes was an economist at the Massachusetts Institute of Technology. The Black-Scholes model takes into account that an investor has the option of investing in an asset earning the risk-free interest rate. It also acknowledges that the option price is largely a function of the volatility of the stock's price (i.e., the higher the volatility of the stock, the higher the premium on the option). The option price and the stock price depend on the same underlying source of uncertainty: stock price movements. By assuming certain market conditions, the Black-Scholes formula allows the value of the option to be isolated and therefore calculated based on variables that are taken to be known constants or can be reasonably estimated.



**FELDMAN FINANCIAL ADVISORS, INC.**

The Black-Scholes option pricing model produces an estimate of the value of an option in terms of the price of the underlying stock and necessarily assumes ideal market conditions for the stock and for the option as follows:

- the risk-free rate is known and constant through time;
- the price of the stock follows a constant drift and volatility;
- markets are efficient;
- the stock does not pay a dividend;
- there are no transaction costs in buying or selling the stock or the option;
- the option can only be exercised at maturity;
- there is no arbitrage opportunity; and,
- it is possible to borrow any amount, even fractional, of the price of the stock at the risk-free rate.

Under these assumptions, Mr. Black and Mr. Scholes postulated that it is possible to create a hedged position, consisting of a long position in the stock and a short position in the option, whose value will not depend on the price of the stock, but will depend only on time and the values of the known constants. This dynamic hedging strategy led to a partial differential equation that governed the price of the option and whose solution is given by the Black-Scholes formula.

## I. BLACK-SCHOLES OPTION PRICING MODEL

The Black-Scholes option model is premised on a partial differential equation, which describes the price of the option over time. The underlying formula for the Black-Scholes model takes into account three important considerations: (i) the time value of money; (ii) the value of the cash to buy the option, which incorporates the probability that the stock price is above the option exercise price at the option maturity; and (iii) the value of the stock received, if any. A simplified version of the formula is presented below:

$$\text{Present value of option} = PN(d_1) - EXe^{-rt}N(d_2)$$

$$\text{where } d_1 = \frac{\log(P/EX) + (r + v^2/2)t}{v\sqrt{t}}$$

$$d_2 = d_1 - v\sqrt{t}$$

$N(d)$  = cumulative normal probability density function

and key input variables are:

- EX = exercise price of option
- P = price of stock currently
- t = time to exercise expiration of option
- r = risk-free rate of interest (continuously compounded)
- v = volatility (variance per period of rate of return on the stock)

The key input variables summarized above have the following independent impact upon the option price as predicted by the Black-Scholes model:

<u>Increase in Variable</u>	<u>Effect on Option Price</u>
Stock price (P)	Positive
Exercise price (EX)	Negative
Time to expiration (t)	Positive
Interest rate (r)	Positive
Volatility of stock price (v)	Positive

## **II. KEY INPUT VARIABLES**

Feldman Financial reviewed Chapter 26.1-12.2 “Mutual Property and Casualty Insurance Company Conversion” of the Century Code of North Dakota to gain an understanding of the North Dakota statutes addressing the valuation of a subscription right in the context of the Conversion. We also reviewed the Plan of Conversion adopted by Nodak Mutual that describes the proposed structure of the Conversion and subscription offering. With respect to subscription rights, Subsection 26.1-12.2-03.5 of Chapter 26.1-12.2 states the Plan of Conversion must address the following:

The dollar value of a subscription right based upon the application of the Black-Scholes option pricing model or another generally accepted option pricing model. In connection with the determination of stock price volatility or other valuation inputs used in option pricing models, the qualified independent expert may assume that the attributes of the converted stock company will be substantially similar to the attributes of the stock of the peer companies used to determine the estimated pro forma market value of the converted stock company. The term of a subscription right is a minimum of ninety days for the sole purpose of determining the value of a subscription right.

As noted previously, the key input variables for the Black-Scholes model are:

- Exercise price of option (or subscription right)
- Current price of the underlying stock
- Time to exercise expiration of option
- Risk-free interest rate
- Volatility of the price of the underlying stock

The Plan of Conversion indicates that the purchase price for each share of stock sold in the offering will be \$10.00. Therefore, for eligible members receiving subscription rights, the price of the underlying stock is \$10.00 per share and the exercise price is also equal to \$10.00 per share. The Plan of Conversion indicates that the subscription offering will remain open for at least forty-five (45) days. This is the period in which eligible members may elect to exercise their subscription rights and purchase stock in the subscription offering. However, as indicated in the above statute, only for purpose of determining the value of a subscription right, a minimum of ninety (90) days must be considered. Since the prescribed minimum of 90 days exceeds the expected subscription offering period of 45 days, we have elected to use 90 days as an input variable in the Black-Scholes model.

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As utilized as an input variable in the Black-Scholes mode, the presumed holding period of a risk-free asset should correspond to the life of the option. Because we have assumed a 90-day expiration period of the subscription right, we have elected to use the three-month U.S. Treasury constant maturity yield as a reasonable proxy for the risk-free interest rate. The Appraisal of Nodak Mutual was based on financial data as of December 31, 2015. We have utilized the same financial reporting period-end date to determine the risk-free interest rate. As of December 31, 2015, the three-month U.S. Treasury constant maturity yield was 0.16% as reported by the Federal Reserve Board.

The final input variable to be determined for application of the Black-Scholes model is the volatility or constant price variation of the underlying stock. Stock price volatility can be calculated based on an analysis of the historical price movements of a given stock. However, because the common stock of NI Holdings does not yet trade, there is no historical price data to review and analyze. The aforementioned North Dakota statute provides guidance for the utilization of a group of peer companies in connection with determining expected stock price volatility. In the Appraisal, we identified a Comparative Group consisting of twelve publicly traded insurance companies selected in accordance with certain criteria. The members of the Comparative Group and the related selection criteria are presented in Table 1. Detailed descriptions of the Comparative Group companies are included in Exhibit 2 of the Appendix.

**Table 1  
Comparative Group Profile  
As of December 31, 2015**

	State	Ticker	Exchange	Total Assets (\$mil.)	Total Equity (\$mil.)	Total Equity/Assets (%)
Nodak Mutual Insurance Company	ND	NA	NA	261.2	150.5	57.62
<b>Comparative Group</b>						
Atlas Financial Holdings, Inc.	IL	AFH	NASDAQ	411.6	129.6	31.49
Baldwin & Lyons, Inc.	IN	BWINB	NASDAQ	1,085.8	394.5	36.33
Donegal Group Inc.	PA	DGICA	NASDAQ	1,537.8	408.4	26.56
EMC Insurance Group Inc.	IA	EMCI	NASDAQ	1,536.0	524.9	34.18
Federated National Holding Company	FL	FNHC	NASDAQ	638.3	250.8	39.29
First Acceptance Corporation	TN	FAC	NYSE	402.1	103.7	25.78
Hallmark Financial Services, Inc.	TX	HALL	NASDAQ	1,076.6	262.0	24.34
HCI Group Inc.	FL	HCI	NYSE	637.0	237.7	37.32
Kingstone Companies, Inc.	NY	KINS	NASDAQ	149.1	45.3	30.36
National Security Group, Inc.	AL	NSEC	NASDAQ	148.1	44.9	30.31
Unico American Corporation	CA	UNAM	NASDAQ	140.2	70.3	50.18
United Insurance Holdings Corp.	FL	UIHC	NASDAQ	740.0	239.2	32.32

Source: Nodak Mutual; SNL Financial.

Selection Criteria:

- Publicly traded – stock-form insurance company whose shares are traded on New York Stock Exchange, NYSE MKT, or NASDAQ Stock Market.
- Market segment – insurance underwriter whose primary market segment is listed as property and casualty by SNL Financial.
- Non-acquisition target – not subject to an announced or pending acquisition.
- Seasoned trading history – publicly traded for at least one year.
- Current financial data – publicly reported financial data on a GAAP basis available for the last twelve months (“LTM”) ended December 31, 2015.
- Asset size – total assets between \$100 million and \$1.6 billion.

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Table 2 below provides additional data regarding the common stocks and related price performance of the Comparative Group for the last twelve months ("LTM") ended December 31, 2015. Table 3 provides comparisons of Nodak Mutual and the Comparative Group based on financial condition data. Table 4 provides comparisons based on operating performance data.

**Table 2**  
**Stock Performance Comparisons**  
**As of December 31, 2014 and 2015**

	Closing Price 12/31/15 (\$)	Closing Price 12/31/14 (\$)	LTM Price Change (%)	LTM High Price (\$)	LTM Low Price (\$)	Total Market Value 12/31/15 (\$mil.)	Total Market Value 12/31/14 (\$mil.)	LTM Market Value Change (%)
Comparative Group Average	NA	NA	(0.6)	NA	NA	258.8	267.6	(0.1)
Comparative Group Median	NA	NA	(5.0)	NA	NA	298.9	280.8	(5.2)
<b>Comparative Group</b>								
Atlas Financial Holdings, Inc.	19.90	16.32	21.9	20.97	15.87	239.1	192.1	24.5
Baldwin & Lyons, Inc.	24.03	25.78	(6.8)	25.42	21.51	361.1	386.2	(6.5)
Donegal Group Inc.	14.08	15.98	(11.9)	16.43	13.14	367.1	431.9	(15.0)
EMC Insurance Group Inc.	25.30	23.64	7.0	26.71	20.00	525.7	480.9	9.3
Federated National Holding Company	29.56	24.16	22.4	32.14	21.02	407.9	329.4	23.8
First Acceptance Corporation	2.38	2.55	(6.7)	3.34	2.20	97.7	104.6	(6.6)
Hallmark Financial Services, Inc.	11.69	12.09	(3.3)	13.16	10.23	223.2	232.3	(3.9)
HCI Group Inc.	34.85	43.24	(19.4)	50.01	32.35	358.7	440.6	(18.6)
Kingstone Companies, Inc.	9.00	8.15	10.4	9.99	7.12	66.0	59.6	10.7
National Security Group, Inc.	15.25	13.45	13.4	16.50	12.58	38.3	33.7	13.6
Unico American Corporation	9.99	11.44	(12.7)	13.76	9.00	53.1	61.1	(13.1)
United Insurance Holdings Corp.	17.10	21.95	(22.1)	28.09	12.41	368.1	458.9	(19.8)

Source: Nodak Mutual; SNL Financial.

**Table 3**  
**Financial Condition Comparisons**  
**As of or For the Last Twelve Months Ended December 31, 2015**

	Total Assets (\$mil.)	Total Policy Resrvs. (\$mil.)	Total Equity (\$mil.)	LTM Asset Growth (%)	Policy Resrvs./ Equity (x)	Cash & Invest./ Assets (%)	Total Equity/ Assets (%)	Tang. Equity/ Assets (%)
Nodak Mutual Insurance Company	261.2	98.8	150.5	4.46	0.66	76.54	57.62	57.17
Comparative Group Average	708.5	399.0	225.9	12.97	1.72	69.79	33.20	31.94
Comparative Group Median	637.6	295.1	238.5	8.09	1.74	68.06	31.91	31.16
<b>Comparative Group</b>								
Atlas Financial Holdings, Inc.	411.6	235.2	129.6	44.97	1.81	56.69	31.49	30.20
Baldwin & Lyons, Inc.	1,085.8	538.9	394.5	(5.11)	1.37	67.59	36.33	36.15
Donegal Group Inc.	1,537.8	1,007.7	408.4	5.43	2.47	60.41	26.56	26.24
EMC Insurance Group Inc.	1,536.0	926.9	524.9	2.55	1.77	92.19	34.18	34.14
Federated National Holding Company	638.3	351.3	250.8	26.74	1.40	68.52	39.29	39.29
First Acceptance Corporation	402.1	205.5	103.7	22.43	1.98	64.46	25.78	18.05
Hallmark Financial Services, Inc.	1,076.6	667.3	262.0	9.76	2.55	65.19	24.34	19.90
HCI Group Inc.	637.0	239.0	237.7	6.42	1.01	78.60	37.32	37.32
Kingstone Companies, Inc.	149.1	90.0	45.3	10.47	1.99	60.62	30.36	29.53
National Security Group, Inc.	148.1	77.0	44.9	2.23	1.72	80.57	30.31	30.31
Unico American Corporation	140.2	67.2	70.3	3.05	0.95	70.01	50.18	50.18
United Insurance Holdings Corp.	740.0	381.4	239.2	26.68	1.59	72.63	32.32	32.01

Source: Nodak Mutual; SNL Financial.

**Table 4**  
**Operating Performance Comparisons**  
**As of or For the Last Twelve Months Ended December 31, 2015**

	Total Revenue (\$mil.)	LTM Net Prem. Written/ Avg.Eq. (x)	LTM Loss Ratio (%)	LTM Exp. Ratio (%)	LTM Comb. Ratio (%)	LTM Pre- tax Inc./ Total Revenue (%)	LTM ROA (%)	LTM ROE (%)
Nodak Mutual Insurance Company	146.5	1.00	60.1	26.2	86.3	17.82	6.87	12.25
Comparative Group Average	288.0	1.31	58.4	30.9	89.2	12.12	3.34	10.37
Comparative Group Median	283.1	1.37	59.2	32.3	91.2	11.60	3.24	10.15
<b>Comparative Group</b>								
Atlas Financial Holdings, Inc.	156.9	1.39	59.2	27.8	87.0	14.06	3.84	11.86
Baldwin & Lyons, Inc.	280.3	0.64	59.2	32.2	91.4	12.11	2.09	5.83
Donegal Group Inc.	636.4	1.47	65.8	33.2	99.0	4.34	1.39	4.89
EMC Insurance Group Inc.	623.7	1.12	65.0	31.3	96.3	11.49	3.29	9.66
Federated National Holding Company	249.9	0.98	49.7	38.2	87.9	26.09	6.85	17.65
First Acceptance Corporation	331.9	2.67	82.0	17.8	99.8	(0.77)	(0.51)	(1.82)
Hallmark Financial Services, Inc.	372.4	1.37	65.9	28.0	93.9	8.56	2.11	8.39
HCI Group Inc.	286.0	1.17	30.9	32.8	63.6	37.14	9.89	30.24
Kingstone Companies, Inc.	64.2	1.42	47.7	32.3	80.0	16.06	4.91	16.39
National Security Group, Inc.	64.1	1.37	55.4	35.6	91.0	9.91	3.19	10.64
Unico American Corporation	33.3	0.44	65.0	22.0	87.0	(5.22)	(0.86)	(1.66)
United Insurance Holdings Corp.	357.6	1.74	54.5	39.5	94.0	11.71	3.86	12.35

Source: Nodak Mutual; SNL Financial.



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Stock price volatility is an important factor in many option valuation models and often exerts the most significant effect on the resulting option value, especially for relatively short-term options. Option holders benefit from the volatility of stocks because they have the right to capture increases in the price of (and related return on) the underlying stock during the term of the option without having to bear the full risk of loss from stock price decreases. While the other input variables in the Black-Scholes option model are typically observable for publicly traded companies, stock price volatility is a forward-looking measure. Companies and investment analysts will generally use historic volatility as a proxy for expected volatility. Historical stock price volatility is a function of the past variability in the returns on a stock as measured by changes in the stock price. Mathematically, historical volatility is defined as the annualized standard deviation of the returns on a given stock. Standard deviation is defined as the square root of the average squared deviation of the data from its mean.

The measure of volatility used in the Black-Scholes option pricing model is the annualized standard deviation of the continuously compounded rates of return on the stock price over a period of time. In order to calculate the historical stock volatility for the Comparative Group companies for the year ended December 31, 2015, Feldman Financial compiled the daily closing stock price data for each member of the Comparative Group in calendar 2015. Exhibit 2 presents the daily closing prices of the Comparative Group stocks during calendar 2015 in which there were 252 trading days. As indicated in Exhibit 2, there were regularly reported stock price observations for each of the Comparative Group companies, which are actively traded on major stock exchanges. For each stock issue, the continuously compounded return on a daily basis was calculated as follows:

$$\text{Daily Return} = \text{Natural Logarithm} (\text{Closing Price} / \text{Previous Closing Price})$$

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Next, the standard deviation of these daily returns was calculated and this result produced the daily volatility estimate. Daily volatility must be converted to an annualized measure of volatility before it can be used in the Black-Scholes option pricing model. To convert from periodic to annualized volatility, the periodic volatility is multiplied by the square root of the number of periods in a year. In this application, daily stock price observations were used. There were 252 trading days in 2015, so daily volatility is multiplied by the square root of 252 to convert it to annualized volatility. Table 5 summarizes the historical volatility of the stock prices for the Comparative Group companies for the year ended December 31, 2015.

**Table 5**  
**Estimated Stock Price Volatility**  
**For the Year Ended December 31, 2015**

<b>Comparative Group Company</b>	<b>Ticker</b>	<b>Volatility</b>
Atlas Financial Holdings, Inc.	AFH	23.85%
Baldwin & Lyons, Inc.	BWINB	16.69%
Donegal Group Inc.	DGICA	19.37%
EMC Insurance Group Inc.	EMCI	28.40%
Federated National Holding Company	FNHC	36.76%
First Acceptance Corporation	FAC	51.17%
Hallmark Financial Services, Inc.	HALL	28.60%
HCI Group Inc.	HCI	36.01%
Kingstone Companies, Inc.	KINS	25.57%
National Security Group, Inc.	NSEC	40.50%
Unico American Corporation	UNAM	47.02%
United Insurance Holdings Corp.	UIHC	48.86%
Average		33.57%
Median		32.30%
Minimum		16.69%
Maximum		51.17%

**III. VALUATION ANALYSIS AND CONCLUSION**

Based on the analysis and review discussed in the prior chapters, Feldman Financial utilized the following data as relevant input variables for the Black-Scholes option pricing model in determining the value of a subscription right in connection with the Conversion:

**Table 6**  
**Black-Scholes Option Pricing Model Assumptions**

<i>Option Pricing Variable</i>	<i>Formula Notation</i>	<i>Variable Amount</i>	<i>Explanation</i>
Price of Stock	P	\$10.00	initial public offering price for common stock of NI Holdings
Exercise Price	EX	\$10.00	subscription offering purchase price for eligible policyholders
Time to Expiration	T	0.247	expressed in years; statutory minimum period (90 days / 365 days)
Risk-free Interest Rate	r	0.16%	three-month U.S. Treasury constant maturity yield at 12/31/15
Volatility	v	33.57%	average volatility of Comparative Group for year ended 12/31/15

Feldman Financial utilized an electronic spreadsheet to create and perform the calculations of the Black-Scholes option pricing model applying the mathematical formula with the input variables as shown above. Based on the factors considered in this report and the results of the Black-Scholes option pricing model incorporating the above assumptions, the value of a subscription right in the Conversion is estimated at \$0.67 per right.

**Exhibit 1**  
**Background of Feldman Financial Advisors, Inc.**

**Overview of Firm**

**Feldman Financial Advisors** provides consulting and advisory services to financial services companies in the areas of corporate valuations, mergers and acquisitions, strategic planning, branch sales and purchases, developing and implementing regulatory business and capital plans, and expert witness testimony and analysis. Our senior staff members have been involved in the mutual-to-stock conversion valuation process since 1982 and have valued more than 350 converting institutions.

**Feldman Financial Advisors** was incorporated in February 1996 by a group of consultants who were previously associated with Credit Suisse First Boston and Kaplan Associates. Each of the officers of Feldman Financial Advisors has over 30 years of experience in consulting to financial institutions and financial services companies. Our senior staff collectively has worked with more than 1,000 commercial banks, savings institutions, mortgage companies, and insurance companies nationwide. The firm's office is located in Washington, D.C.

**Background of Senior Professional Staff**

**Trent Feldman** - President. Trent is a nationally recognized expert in providing strategic advice to and valuing financial service companies, and advising on mergers and acquisitions. Trent was with Kaplan Associates for 14 years and was one of three founding principals at that firm. Trent also has worked at the Federal Home Loan Bank Board and with the California legislature. Trent holds Bachelors and Masters Degrees from the University of California, Los Angeles.

**Peter Williams** - Principal. Peter specializes in merger and acquisition analysis, stock valuations and other corporate valuations, strategic business plans, and retail delivery analysis. Peter was with Kaplan Associates for 13 years. Peter also worked as a Corporate Development Analyst with the Wilmington Trust Company in Delaware. Peter holds a BA in Economics from Yale University and an MBA in Finance and Investments from George Washington University.

**Exhibit 2**  
**Profiles of the Comparative Group Companies**

**Atlas Financial Holdings, Inc.** (NASDAQ: AFH) – Elk Grove Village, Illinois

Atlas Financial Holdings, Inc. (“Atlas Financial”) is a financial services holding company whose core business is the underwriting of commercial automobile insurance policies, focusing on the “light” commercial automobile sector, which is carried out through its insurance subsidiaries, American Country Insurance Company (“American Country”), American Service Insurance Company, Inc. (“American Service”), Gateway Insurance Company (“Gateway”), and Global Liberty Insurance Company of New York (“Global Liberty”). This insurance sector includes taxicabs, non-emergency paratransit, limousine, livery, and business automobile. Atlas Financial was originally formed in 2009 and completed a reverse merger in 2010 wherein American Service and American Country were sold to Atlas Financial by Kingsway America Inc. American Country commenced operations in 1979. In 1983, American Service was established as a non-standard personal and commercial automobile insurer writing business in the Chicago, Illinois area. Gateway was acquired in 2013 and provides specialized commercial automobile insurance to niche markets such as taxi, black car, and sedan service. In March 2015, Atlas Financial completed the acquisition of Global Liberty, whose primary business focus is the for-hire-livery vehicle market in the New York metropolitan area. American Country, American Service, and Gateway carry current financial strength ratings from A.M. Best of B (Fair) with a stable outlook, while Global Liberty is rated B+ (Good) with a stable outlook. As of December 31, 2015, Atlas Financial had total assets of \$411.6 million, total policy reserves of \$235.2 million, total equity of \$129.6 million, LTM total revenue of \$156.9 million, and LTM net income of \$14.4 million.

**Baldwin & Lyons, Inc.** (NASDAQ: BWINB) – Indianapolis, Indiana

Through its subsidiaries, Baldwin & Lyons, Inc. (“Baldwin & Lyons”) engages in marketing and underwriting property and casualty insurance and the assumption of property and casualty reinsurance. Subsidiaries of Baldwin & Lyons include Protective Insurance Company, Protective Specialty Insurance Company, Sagamore Insurance Company, Baldwin & Lyons Brokerage Services, Inc., and Baldwin & Lyons Insurance, Ltd. Baldwin & Lyons provides coverage for larger companies in the motor carrier industry that retain substantial amounts of self-insurance, for independent contractors utilized by trucking companies, for medium-sized and small trucking companies on a first dollar or small deductible basis, and for public livery concerns, principally covering fleets of commercial buses. The principal types of fleet transportation insurance marketed by Baldwin & Lyons are commercial motor vehicle liability, physical damage and other liability insurance; workers compensation insurance; specialized accident insurance for independent contractors; non-trucking motor vehicle liability insurance for independent contractors; fidelity and surety bonds; inland marine consisting principally of cargo insurance; and captive insurance company products that are provided through a subsidiary in Bermuda. The capital structure of Baldwin & Lyons includes Class A and Class B common stock. The Class A and Class B shares have identical rights and privileges except that Class B shares have no voting rights. Protective Insurance Company, the main insurance subsidiary of Baldwin & Lyons, carries a current financial strength rating of A+ (Superior) from A.M. Best with a stable outlook. As of December 31, 2015, Baldwin & Lyons had total assets of \$1.1 billion, total policy reserves of \$538.9 million, total equity of \$394.5 million, LTM total revenue of \$280.3 million, and LTM net income of \$23.3 million.

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**Donegal Group, Inc.** (NASDAQ: DGICA) – Marietta, Pennsylvania

Donegal Group, Inc. (“Donegal Group”) is as an insurance holding company whose insurance subsidiaries offer personal and commercial lines of property and casualty insurance to businesses and individuals in 21 Mid-Atlantic, Midwestern, New England, and Southern states. Donegal Group owns insurance subsidiaries domiciled in the states of Iowa, Maryland, Michigan, Pennsylvania, Virginia and Wisconsin. For the year ended December 31, 2015, Donegal Group’s direct premiums were generated primarily in the states of Pennsylvania (36.6%), Michigan (16.1%), Virginia (8.8%), Maryland (8.8%), Georgia (6.0%), and Delaware (5.6%). Donegal Group’s insurance subsidiaries derive a substantial portion of their insurance business from smaller to mid-sized regional communities. Donegal Group believes this focus provides its insurance subsidiaries with competitive advantages in terms of local market knowledge, marketing, underwriting, claims servicing, and policyholder service. At the same time, Donegal Group believes its insurance subsidiaries have cost advantages over many smaller regional insurers that result from economies of scale they realize through centralized accounting, administrative, data processing, investment, and other services. Donegal Group has been an active consolidator of smaller “Main Street” property and casualty insurance companies. The personal lines products offered by Donegal Group consist primarily of homeowners and private passenger automobile policies, while the commercial lines products consist primarily of commercial automobile, commercial multi-peril, and workers compensation policies. Donegal Group’s insurance subsidiaries carry current financial strength ratings of A (Excellent) from A.M. Best with a stable outlook. As of December 31, 2015, Donegal Group had total assets of \$1.5 billion, total policy reserves of \$1.0 billion, total equity of \$408.4 million, LTM total revenue of \$636.4 million, and LTM net income of \$21.0 million.

**EMC Insurance Group Inc.** (NASDAQ: EMCI) – Des Moines, Iowa

EMC Insurance Group Inc. (“EMC Insurance”) is an insurance holding company that was incorporated in Iowa in 1974 by Employers Mutual Casualty Company (“Employers Mutual”) and became a public company in 1982 following the initial public offering of its common stock. EMC Insurance is approximately 57% owned by Employers Mutual, a multiple-line property and casualty insurance company organized as an Iowa mutual insurance company in 1911 that is licensed in all 50 states and the District of Columbia. EMC Insurance conducts operations in property and casualty insurance and reinsurance through its subsidiaries. EMC Insurance primarily focuses on the sale of commercial lines of property and casualty insurance to small and medium-sized businesses. These products are sold through independent insurance agents who are supported by a decentralized network of branch offices. Although EMC Insurance actively markets its insurance products in 41 states, the majority of its business is marketed and generated in the Midwest. EMC Insurance conducts its operations through the following subsidiaries: EMCASCO Insurance Company, Illinois EMCASCO Insurance Company and Dakota Fire Insurance Company, and its reinsurance operations through its subsidiary, EMC Reinsurance Company. The primary sources of revenue for EMC Insurance are generated from the following commercial lines of business: property, automobile, workers compensation, and liability. For the year ended December 31, 2015, the geographic distribution of the aggregate direct premiums generated by EMC Insurance included Iowa (13.0%), Kansas (8.5%), Wisconsin (5.6%), Nebraska (5.3%), Michigan (4.6%), Illinois (4.2%), and Texas (4.1%). EMC Insurance’s property and casualty insurance companies carry financial strength ratings from A.M. Best of A (Excellent) with a stable outlook. As of December 31, 2015, EMC Insurance had total assets of \$1.5 billion, total policy reserves of \$926.9 million, total equity of \$524.9 million, LTM total revenue of \$623.7 million, and LTM net income of \$50.2 million.

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**Federated National Holding Company** (NASDAQ: FNHC) – Sunrise, Florida

Federated National Holding Company (“Federated National”) is an insurance holding company that engages in the insurance underwriting, distribution and claims processes through its subsidiaries and contractual relationships with its independent agents and general agents. Federated National is authorized to underwrite, and/or place through its owned subsidiaries, homeowners multi-peril, commercial general liability, federal flood, personal automobile, and various other lines of insurance in Florida and various other states. Federated National markets and distributes its own and third-party insurers’ products and its other services through a network of independent agents. Its principal insurance subsidiary is Federated National Insurance Company (“FNIC”), which is licensed as an admitted carrier in Florida, Alabama, Louisiana, and South Carolina. Federated National also serves as managing general agent for Monarch National Insurance Company (“MNIC”), which was founded in 2015 through a joint venture and is licensed as an admitted carrier in Florida. MNIC writes insurance policies that have a higher risk profile than those written by FNIC, allowing MNIC to reach a broader market and charge higher premiums. Through relationships with a network of approximately 2,500-plus independent agents, FNIC is authorized to underwrite homeowners, commercial general liability, fire, allied lines, and personal and commercial automobile insurance in Florida. FNIC is licensed as an admitted carrier in Alabama, Louisiana, Georgia, and Texas and underwrites commercial general liability insurance in those states, homeowners insurance in Louisiana, and personal automobile insurance in Georgia and Texas. During 2015, approximately 91.4%, 3.3%, 3.3% and 2.0% of the premiums it underwrote were for homeowners, commercial general liability, personal automobile, and federal flood insurance, respectively. FNIC is not currently rated by A.M. Best. As of December 31, 2015, Federated National had total assets of \$638.3 million, total policy reserves of \$351.3 million, total equity of \$250.8 million, LTM total revenue of \$249.9 million, and LTM net income of \$40.4 million.

## **FELDMAN FINANCIAL ADVISORS, INC.**

### **First Acceptance Corporation** (NYSE: FAC) – Nashville, Tennessee

First Acceptance Corporation (“First Acceptance”) is a retailer, servicer, and underwriter of non-standard personal automobile insurance based in Nashville, Tennessee. First Acceptance’s insurance operations generate revenue from selling non-standard personal automobile insurance products and related products in 17 states. First Acceptance conducts its servicing and underwriting operations in 13 states and is licensed as an insurer in 12 additional states. First Acceptance owns and operates three insurance company subsidiaries: First Acceptance Insurance Company, Inc., First Acceptance Insurance Company of Georgia, Inc., and First Acceptance Insurance Company of Tennessee, Inc. First Acceptance is a vertically integrated business and believes that its business model allows it to identify and satisfy the needs of its target customers and eliminates many of the inefficiencies associated with a non-integrated automobile insurance model. At December 31, 2015, First Acceptance operated 440 retail locations and a call center staffed with employee-agents. The employee-agents primarily sell non-standard personal automobile insurance products underwritten by First Acceptance as well as certain commissionable ancillary products. In most states, First Acceptance’s employee-agents also sell a complementary insurance product providing personal property and liability coverage for renters underwritten by First Acceptance. In addition to its retail locations, First Acceptance is able to complete the entire sales process over the telephone via its call center or through the internet via its consumer-based website or mobile platform. Effective July 1, 2015, First Acceptance acquired certain assets of Titan Insurance Services, Inc. and Titan Auto Insurance of New Mexico, Inc. These agencies, which are now rebranded under the Acceptance Insurance name, sell private passenger non-standard automobile insurance through 83 retail locations, principally in California, but also in Texas, Arizona, Florida, Nevada, and New Mexico. Based on gross premiums earned by First Acceptance for the year ended December 31, 2015, the geographic distribution of revenue included Georgia (19.2%), Florida (15.4%), Texas (13.4%), Ohio (10.0%), Alabama (9.2%), Illinois (9.0%), and South Carolina (7.6%). The principal operating subsidiaries of First Acceptance carry current financial strength ratings from A.M. Best of B (Fair) with a stable outlook. As of December 31, 2015, First Acceptance had total assets of \$402.1 million, total policy reserves of \$205.5 million, total equity of \$103.7 million, LTM total revenue of \$331.9 million, and LTM net loss of -\$1.9 million.

### **Hallmark Financial Services, Inc.** (NASDAQ: HALL) – Fort Worth, Texas

Hallmark Financial Services, Inc. (“Hallmark Financial”) is a diversified property and casualty insurance group that serves businesses and individuals in specialty and niche markets. Hallmark Financial offers standard commercial insurance, specialty commercial insurance, and personal insurance in selected market niches that are characteristically low-severity and predominately short-tailed risks. Hallmark Financial markets, distributes, underwrites, and services its P&C insurance products primarily through subsidiaries whose operations are organized into product-specific operating units. The standard commercial P&C operating unit offers industry-specific commercial insurance products and services in the standard market. The workers compensation operating unit specializes in small and middle market workers compensation business. Effective July 1, 2015, this operating unit no longer markets or retains any risk on new or renewal policies. The managing general agent (“MGA”) commercial products operating unit offers commercial insurance products and services in the excess and surplus lines market. The specialty Commercial operating unit offers general aviation and satellite launch insurance products and services, low and middle market commercial umbrella and primary/excess liability insurance, medical professional liability insurance products and services, and primary/excess commercial property coverages for both catastrophe and non-catastrophe exposures. The specialty personal lines operating unit offers non-standard personal automobile and renters insurance products and services. Hallmark Financial’s business is geographically concentrated in the South Central and Northwest regions of the United States, except for its general aviation business, which is written on a national basis. Five states accounted for 63% of the gross premiums written in 2015 by Hallmark Financial’s insurance company subsidiaries: Texas (46.7%), Louisiana (4.8%), Arizona (4.3%), Oklahoma (3.5%), and New Mexico (3.4%). Hallmark Financial’s insurance subsidiaries carry current financial strength ratings of A- (Excellent) with a negative outlook. As of December 31, 2015, Hallmark Financial had total assets of \$1.1 billion, total policy reserves of \$667.3 million, total equity of \$262.0 million, LTM total revenue of \$372.4 million, and LTM net income of \$21.9 million.



**FELDMAN FINANCIAL ADVISORS, INC.**

**HCI Group, Inc.** (NYSE: HCI) – Tampa, Florida

HCI Group, Inc. (“HCI Group”) operates subsidiaries primarily engaged in the property and casualty insurance business. Over the years, HCI Group has broadened and diversified its business portfolio through acquisitions to include information technologies and investment real estate. HCI Group’s principal operating subsidiary, Homeowners Choice Property & Casualty Insurance Company, Inc. (“HCPCI”), was incorporated and began operations in 2007. HCPCI currently provides property and casualty insurance to homeowners, condominium owners, and tenants residing in Florida. HCPCI’s operations are supported by certain of HCI’s wholly owned subsidiaries as well as HCI Group: Homeowners Choice Managers, Inc. acts as managing general agent and provides marketing, underwriting, claims settlement, accounting, and financial services to HCPCI; Southern Administration, Inc. provides policy administration services to HCPCI. HCPCI began operations by participating in a “take-out program” through which it assumed insurance policies held by Citizens Property Insurance Corporation (“Citizens”), a Florida state-supported insurer. The take-out program is a legislatively mandated program designed to reduce the state’s risk exposure by encouraging private companies to assume policies from Citizens. HCPCI has assumed policies in a series of separate transactions, which took place from 2007 through 2015. Substantially all HCI Group’s premium revenue since inception has come from the policies acquired in these assumption transactions and subsequent renewals. HCPCI began writing flood coverage in January 2014 in response to the demand for an alternative to the Federal National Flood Insurance Program for Florida homeowners. Through the assumption transactions, HCI Group has increased its geographic diversification within the state of Florida and currently has approximately 160,000 policies in force. HCI Group is not currently rated by A.M. Best. As of December 31, 2015, HCI Group had total assets of \$637.0 million, total policy reserves of \$239.0 million, total equity of \$237.7 million, LTM total revenue of \$286.0 million, and LTM net income of \$65.9 million.

## **FELDMAN FINANCIAL ADVISORS, INC.**

### **Kingstone Companies, Inc.** (NASDAQ: KINS) – Kingston, New York

Kingstone Companies, Inc. (“Kingstone”) offers property and casualty insurance products to small businesses and individuals in the state of New York through its wholly owned subsidiary, Kingstone Insurance Company (“KICO”). KICO is a licensed property and casualty insurance company in New York, New Jersey, Connecticut, Pennsylvania, and Texas; however, KICO writes substantially all of its business in New York. Kingstone is a multi-line regional property and casualty insurance company writing business exclusively through independent retail and wholesale agents and brokers. Kingstone’s largest line of business is personal lines, consisting of homeowners, dwelling fire, 3-4 family dwelling package, condominium, renters, equipment breakdown and service line endorsements, and personal umbrella policies. Commercial liability is another product line through the offering of business owners policies that consist primarily of small business retail risks without a residential exposure. Kingstone also writes artisan’s liability policies for small independent contractors with seven or fewer employees. In addition, it writes special multi-peril policies for larger and more specialized business owners’ risks, including those with limited residential exposures. Commercial automobile represents a third product line as Kingstone provides physical damage and liability coverage for light vehicles owned by small contractors and artisans. A fourth line of business is livery physical damage. Kingstone writes for-hire vehicle physical damage only policies for livery and car service vehicles and taxicabs. These policies insure only the physical damage portion of insurance for such vehicles, with no liability coverage included. Personal lines, commercial liability, livery physical damage, and commercial automobile policies accounted for 76.0%, 13.2%, 9.9%, and 0.6% of gross written premiums for the year ended December 31, 2015. Kingstone complete an underwritten public offering of common stock in December 2013. Kingstone’s current financial strength rating from A.M. Best is B++ (Good) with a stable outlook. As of December 31 2015, Kingstone had total assets of \$149.1 million, total policy reserves of \$90.0 million, total equity of \$45.3 million, LTM total revenue of \$64.2 million, and LTM net income of \$7.0 million.

### **National Security Group, Inc.** (NASDAQ: NSEC) – Elba, Alabama

National Security Group, Inc. (“National Security”) is an insurance holding company that, through its property and casualty subsidiaries, primarily writes personal lines coverage including dwelling fire and windstorm, homeowners, and mobile homeowners lines of insurance in ten states. Through its life insurance subsidiary, National Security offers a basic line of life and health and accident insurance products in six states. Property and casualty insurance is the most significant segment accounting for approximately 90% of total premium revenues in 2015 and is conducted through National Security Fire & Casualty Company (“NSFC”) and Omega One Insurance Company (“Omega”). NSFC is licensed to write insurance in the states of Alabama, Arkansas, Florida, Georgia, Kentucky, Mississippi, Oklahoma, South Carolina, Tennessee and West Virginia. Omega is licensed to write insurance in Alabama and Louisiana. Another subsidiary, National Security Insurance Company (“NSIC”), conducts the life insurance business. Dwelling fire and homeowners, collectively referred to as the dwelling property line of business, is the largest segment of property and casualty operations composing approximately 97% of total property and casualty premium revenue. National Security focuses on providing niche insurance products within the markets it serves. National Security ranks in the top twenty dwelling property insurance carriers in its two largest states, Alabama and Mississippi. However, due to the large concentration of business among the top five carriers, its total combined market share in these two states is less than 2%. NSFC and Omega products are marketed through a network of independent agents and brokers, who are independent contractors and generally maintain relationships with one or more competing insurance companies. For the year ended December 31, 2015, National Security’s direct written premium distribution was as follows: Alabama (28.5%), Mississippi (18.0%), Georgia (11.9%), Louisiana (11.9%), South Carolina (10.6%), Oklahoma (9.4%), Tennessee (5.6%), and Arkansas (4.1%). NSFC currently carries an A.M. Best group financial strength rating of B++(Good), while Omega and NSIC carry financial strength ratings of B+ (Good), all with stable outlooks. As of December 31, 2015, National Security had total assets of \$148.1 million, total policy reserves of \$77.0 million, total equity of \$44.9 million, LTM total revenue of \$64.1 million, and LTM net income of \$4.7 million.

**FELDMAN FINANCIAL ADVISORS, INC.**

**Unico American Corporation** (NASDAQ: UNAM) – Calabasas, California

Unico American Corporation (“Unico American”) is an insurance holding company that underwrites property and casualty insurance through its insurance company subsidiary; provides property, casualty, and health insurance through its agency subsidiaries; and provides insurance premium financing and membership association services through its other subsidiaries. The insurance company operation is conducted through Crusader Insurance Company (“Crusader”), which is a multiple line P&C insurance company that began transacting business on January 1, 1985. Since 2004, all Crusader business has been written in the state of California until June 2014 when Crusader also began writing business in the state of Arizona. During the year ended December 31, 2015, approximately 98% of Crusader’s business was commercial multiple peril policies. Commercial multiple peril policies provide a combination of property and liability coverage for businesses. Commercial property coverage insures against loss or damage to buildings, inventory and equipment from natural disasters, including hurricanes, windstorms, hail, water, explosions, severe winter weather, and other events such as theft and vandalism, fires, storms, and financial loss due to business interruption resulting from covered property damage. However, Crusader does not write earthquake coverage. In addition to commercial multiple peril policies, Crusader also writes separate policies to insure commercial property and commercial liability risks on a mono-line basis. Crusader is domiciled in California and is licensed as an admitted insurance carrier in the states of Arizona, California, Nevada, Oregon, and Washington. For the year ended December 31, 2015, 99.5% and 0.5% of direct written premium was produced in California and Arizona, respectively. Unico American sells its insurance policies through Unifax Insurance Systems, Inc., Crusader’s sister corporation and exclusive general agent. All policies are produced by a network of independent brokers and retail agents. Although Crusader plans to continually introduce new products, it did not introduce new products during 2015; instead, in 2015 Crusader implemented product changes such as revised rates, eligibility guidelines, rules and coverage forms. In October 2015, A.M. Best affirmed the financial strength rating of A- (Excellent) for Crusader with a stable outlook. As of December 31, 2015, Unico American had total assets of \$140.2 million, total policy reserves of \$67.2 million, total equity of \$70.3 million, LTM total revenue of \$33.3 million, and LTM net loss of -\$1.2 million.

**FELDMAN FINANCIAL ADVISORS, INC.**

**United Insurance Holdings Corp.** (NASDAQ: UIHC) – St. Petersburg, Florida

United Insurance Holdings Corp. (“United Insurance”) serves as the holding company for United Property & Casualty Insurance Company and its affiliated companies (referred to collectively as “UPC Insurance”). UPC Insurance is primarily engaged in the homeowners property and casualty insurance business in the United States. It currently writes in Connecticut, Florida, Georgia, Hawaii, Louisiana, Massachusetts, New Jersey, North Carolina, Rhode Island, South Carolina, and Texas, and is licensed to write in Alabama, Delaware, Maryland, Mississippi, New Hampshire, New York, and Virginia. United Insurance’s target market currently consists of areas where the perceived threat of natural catastrophe has caused large national insurance carriers to reduce their concentration of policies. In such areas, United Insurance believes an opportunity exists for UPC Insurance to write profitable business. United Insurance manages its risk of catastrophic loss primarily through sophisticated pricing algorithms, avoidance of policy concentration, and the use of a comprehensive catastrophe reinsurance program. UPC Insurance has been operating continuously in Florida since 1999, and has managed its business through various hurricanes, tropical storms, and other weather related events. Homeowners policies and related coverage account for the vast majority of the business that United Insurance writes, but it is diversifying by product as well as geography. In 2015, personal property policies (standard homeowners, dwelling fire, renters and condominium owners policies) accounted for 95% of United Insurance’s total written premium. In addition to these policies, United Insurance writes flood policies, which accounted for 3%, and commercial residential policies, which accounted for the remaining 2% of its 2015 written premium. United Insurance currently markets its policies to a broad range of prospective policyholders through over 7,000 independent agencies. In September 2015, United Insurance entered into a stock purchase agreement to acquire Mineola, New York-based Interboro Insurance Company, a New York domiciled property and casualty insurer licensed in New York, South Carolina, Alabama, Louisiana, and Washington, D.C. The transaction is currently expected to close in April 2016. Based on direct written premium for the year ended December 31, 2015, United Insurance’s geographic distribution includes Florida (57.3%), Texas (10.0%), Massachusetts (7.1%), South Carolina (7.4%), Louisiana (6.7%), North Carolina (5.3%), and Rhode Island (4.2%). United Insurance is not currently rated by A.M. Best. As of December 31, 2015, United Insurance had total assets of \$740.0 million, total policy reserves of \$381.4 million, total equity of \$239.2 million, LTM total revenue of \$357.6 million, and LTM net income of \$27.4 million.

**Exhibit 3  
Closing Stock Price Data for the Comparative Group**

		Atlas Financial Holdings, Inc.	Baldwin & Lyons, Inc.	Donegal Group Inc.	EMC Insurance Group Inc.	Federated National Holding Co.	First Acceptance Corp.	Hallmark Financial Services, Inc.	HCI Group Inc.	Kingstone Companies, Inc.	National Security Group, Inc.	Unico American Corp.	United Insurance Holdings Corp.
Ticker Symbol		AFH	BWINB	DGICA	EMCI	FNHC	FAC	HALL	HCI	KINS	NSEC	UNAM	UIHC
Standard Deviation		0.0150	0.0105	0.0122	0.0179	0.0232	0.0322	0.0180	0.0227	0.0161	0.0255	0.0296	0.0308
Annualized Volatility		0.2385	0.1669	0.1937	0.2840	0.3676	0.5117	0.2860	0.3601	0.2557	0.4050	0.4702	0.4886
Count	Date	Price	Price	Price	Price	Price	Price	Price	Price	Price	Price	Price	Price
1	12/31/15	19.90	24.03	14.08	25.30	29.56	2.38	11.69	34.85	9.00	15.25	9.99	17.10
2	12/30/15	19.85	24.41	14.36	25.82	30.10	2.30	12.11	35.66	9.16	14.37	9.02	17.79
3	12/29/15	20.02	24.89	14.56	26.05	30.55	2.27	12.48	36.14	8.99	14.27	9.26	17.99
4	12/28/15	20.01	24.77	14.32	25.61	29.54	2.22	11.89	35.16	9.01	14.27	9.25	17.97
5	12/24/15	20.02	24.75	14.81	25.77	30.14	2.20	12.04	35.30	9.10	14.42	9.30	18.16
6	12/23/15	20.49	24.57	14.76	25.21	29.78	2.32	11.92	34.78	9.13	14.42	9.30	17.99
7	12/22/15	20.04	24.39	14.14	24.76	29.14	2.23	12.01	34.09	9.00	14.80	9.30	17.66
8	12/21/15	19.43	23.74	13.76	24.39	28.94	2.36	11.73	33.27	8.78	15.20	9.40	17.49
9	12/18/15	18.96	23.53	13.61	24.33	29.33	2.56	12.12	32.35	8.78	15.20	9.40	17.79
10	12/17/15	19.16	23.41	13.49	25.28	30.52	2.40	12.35	33.48	8.95	14.76	9.40	19.05
11	12/16/15	19.46	23.49	13.64	26.60	30.84	2.47	12.39	34.06	8.81	14.76	9.20	18.63
12	12/15/15	19.33	23.66	13.36	25.94	30.38	2.44	12.18	32.64	8.83	14.76	9.65	18.39
13	12/14/15	19.25	23.09	13.14	25.38	30.12	2.55	11.83	32.56	8.69	14.82	9.65	17.80
14	12/11/15	19.38	23.75	13.79	25.53	29.17	2.40	12.10	34.06	8.82	14.82	9.25	17.60
15	12/10/15	19.85	23.86	14.12	25.53	29.64	2.45	12.12	36.16	9.17	14.50	9.25	18.40
16	12/09/15	19.99	23.99	13.93	25.84	29.32	2.55	12.14	36.49	9.12	14.50	9.08	18.23
17	12/08/15	19.91	23.88	13.96	25.86	29.19	2.61	12.35	37.39	9.13	14.50	9.08	18.29
18	12/07/15	20.06	23.62	14.07	25.79	29.82	2.60	12.50	37.84	9.45	15.00	9.08	18.43
19	12/04/15	20.48	23.69	14.05	25.54	29.65	2.53	12.59	37.64	9.75	15.00	9.04	18.87
20	12/03/15	20.36	23.51	13.89	25.85	29.55	2.57	12.61	37.56	9.28	14.45	9.25	18.59
21	12/02/15	20.79	23.56	13.92	26.71	29.74	2.52	12.89	37.92	9.78	14.99	9.07	18.69
22	12/01/15	20.71	23.28	13.84	26.64	28.51	2.57	12.70	38.15	9.82	14.51	9.30	18.95
23	11/30/15	20.97	23.45	13.92	26.12	28.59	2.54	12.75	39.13	9.80	14.56	9.00	18.94
24	11/27/15	20.60	23.45	13.97	25.90	29.10	2.59	12.46	37.27	9.99	14.50	9.20	18.74
25	11/25/15	20.36	23.45	13.98	25.95	29.84	2.47	12.50	38.89	9.73	14.50	9.04	18.88
26	11/24/15	20.02	23.44	13.93	26.33	29.22	2.54	12.60	38.78	9.65	14.20	9.50	19.02
27	11/23/15	19.82	23.70	13.94	26.10	28.44	2.49	12.40	39.84	9.85	14.10	9.55	18.71
28	11/20/15	19.43	23.71	13.84	26.37	28.07	2.46	12.40	39.22	9.40	14.10	9.55	18.34
29	11/19/15	19.39	23.53	13.74	25.93	27.61	2.47	12.42	39.07	9.32	14.10	9.69	18.59
30	11/18/15	19.36	23.48	13.84	26.29	28.19	2.47	12.40	40.21	9.27	14.10	9.43	18.86
31	11/17/15	19.08	23.32	13.85	25.96	28.69	2.38	12.29	40.77	9.42	14.20	9.70	18.22
32	11/16/15	18.91	23.39	14.09	25.93	28.88	2.35	12.50	41.18	9.50	14.20	9.81	18.77
33	11/13/15	18.60	23.27	13.94	24.70	29.55	2.36	12.49	40.71	9.34	14.19	9.66	18.75
34	11/12/15	18.36	23.12	13.92	25.23	29.44	2.69	12.70	40.74	8.96	14.30	9.73	18.63
35	11/11/15	18.79	23.43	14.25	25.59	31.04	2.31	12.82	41.41	9.77	14.30	9.65	19.36
36	11/10/15	18.31	23.29	14.05	25.85	31.01	2.56	12.81	41.31	9.68	15.00	9.65	19.39
37	11/09/15	18.76	23.18	14.01	25.52	31.00	2.56	12.72	41.28	9.70	13.70	9.65	19.25
38	11/06/15	18.98	23.43	14.23	24.45	31.07	2.55	12.96	42.14	9.61	13.80	9.65	19.23
39	11/05/15	19.03	23.41	14.07	23.98	29.85	2.73	12.63	42.02	9.49	13.80	9.80	18.87
40	11/04/15	19.20	23.05	14.00	24.07	30.45	2.59	12.57	39.76	9.43	13.92	9.80	18.14
41	11/03/15	19.25	22.94	14.00	24.48	30.36	2.69	12.88	42.84	9.50	14.02	9.80	18.23
42	11/02/15	19.32	23.40	14.10	25.35	30.99	2.90	12.97	44.17	9.44	13.50	9.80	17.91
43	10/30/15	19.02	23.23	14.15	25.00	30.79	2.85	12.99	43.61	9.32	13.50	9.80	16.52
44	10/29/15	19.30	23.39	14.37	25.45	31.68	2.88	13.16	44.66	9.35	13.20	9.56	17.43
45	10/28/15	19.42	23.26	14.40	25.34	32.14	2.75	12.96	45.26	9.54	13.30	9.56	15.58
46	10/27/15	18.68	23.11	14.03	24.37	30.88	2.77	12.11	43.85	9.34	13.52	9.58	14.96
47	10/26/15	18.59	23.38	14.14	25.50	31.20	2.81	12.39	44.48	9.45	13.76	9.58	15.63

**Exhibit 3 (continued)  
Closing Stock Price Data for the Comparative Group**

Ticker Symbol	AFH	BWINB	DGICA	EMCI	FNHC	FAC	HALL	HCI	KINS	NSEC	UNAM	UIHC	
Count	Price	Price	Price	Price	Price	Price	Price	Price	Price	Price	Price	Price	
48	10/23/15	18.56	23.59	14.11	25.30	31.12	2.83	12.49	44.24	9.49	14.41	10.30	15.50
49	10/22/15	18.73	23.46	14.10	25.28	31.07	2.91	12.39	43.98	9.38	14.41	10.32	15.54
50	10/21/15	18.49	23.29	14.01	25.10	30.04	2.77	12.20	43.45	9.35	14.41	10.82	15.02
51	10/20/15	18.81	23.48	14.18	25.14	30.91	2.76	12.33	43.75	9.02	14.41	10.82	15.26
52	10/19/15	18.22	23.21	14.17	24.86	29.20	2.77	12.46	39.75	9.23	14.13	10.82	15.77
53	10/16/15	18.69	23.59	14.14	24.93	28.46	2.89	12.46	39.73	9.29	14.30	10.82	15.13
54	10/15/15	18.61	23.60	13.99	24.33	28.30	2.74	12.40	39.63	9.26	14.30	10.82	14.91
55	10/14/15	18.36	23.27	13.71	23.29	27.20	2.67	12.14	38.89	9.08	13.75	10.30	14.57
56	10/13/15	18.93	23.29	13.94	23.69	27.67	2.64	12.32	39.68	9.27	13.52	10.35	14.33
57	10/12/15	19.50	23.37	14.15	23.89	27.90	2.75	12.30	40.00	9.13	14.40	10.35	14.82
58	10/09/15	19.42	23.04	14.08	23.22	26.12	2.70	12.21	39.94	9.05	14.40	10.56	14.49
59	10/08/15	19.10	22.85	14.02	23.48	25.52	2.77	12.19	40.12	9.05	14.27	10.56	14.24
60	10/07/15	18.90	22.81	14.02	23.15	25.24	2.78	12.00	41.18	8.67	14.96	10.32	14.25
61	10/06/15	18.75	22.43	13.95	23.20	24.85	2.74	11.94	39.55	8.58	14.92	10.56	13.49
62	10/05/15	18.93	22.50	13.95	23.54	25.15	2.78	11.84	39.25	8.65	14.92	10.56	13.91
63	10/02/15	18.73	21.80	13.76	22.82	24.06	2.55	11.31	36.85	8.75	14.56	10.58	13.01
64	10/01/15	18.65	21.51	13.89	22.94	23.88	2.60	11.42	37.40	8.73	15.25	10.58	13.18
65	09/30/15	18.50	21.70	14.06	23.21	24.02	2.69	11.49	38.77	8.64	15.25	10.58	13.15
66	09/29/15	18.01	21.80	13.79	23.09	23.00	2.62	11.41	38.07	8.55	14.80	10.64	13.49
67	09/28/15	17.57	22.00	13.77	23.08	23.30	2.61	11.24	37.43	8.73	14.80	10.55	12.49
68	09/25/15	17.60	22.02	13.90	23.17	22.09	2.76	11.31	38.31	8.71	15.61	10.55	12.76
69	09/24/15	18.03	22.53	13.98	23.98	22.64	2.69	11.28	38.33	8.71	15.25	10.63	12.41
70	09/23/15	17.90	22.41	13.85	24.23	22.68	2.71	11.28	38.22	8.87	16.50	11.78	12.67
71	09/22/15	17.75	22.47	13.89	24.17	22.77	2.68	11.13	38.82	8.90	15.74	11.85	12.99
72	09/21/15	17.78	22.76	14.08	24.40	23.49	2.82	11.03	39.61	8.66	14.11	11.85	13.40
73	09/18/15	17.67	22.52	14.21	23.94	23.40	2.99	11.19	38.13	8.45	14.24	10.33	13.62
74	09/17/15	17.98	22.14	13.87	24.87	23.84	2.83	11.27	39.86	8.80	15.29	11.95	13.23
75	09/16/15	17.68	22.07	13.62	24.34	22.00	2.94	11.36	39.01	9.00	14.85	12.00	12.98
76	09/15/15	17.66	22.28	13.65	24.26	21.70	2.85	11.49	38.43	8.95	14.45	12.00	13.03
77	09/14/15	17.33	22.16	13.80	24.35	21.67	2.85	11.46	38.33	9.23	14.24	12.43	13.08
78	09/11/15	17.10	22.31	13.85	24.41	21.89	2.81	11.71	38.36	9.04	14.24	13.76	13.16
79	09/10/15	16.83	22.16	13.78	23.60	21.92	2.80	11.50	38.42	9.30	13.90	11.29	13.17
80	09/09/15	16.14	22.27	13.70	22.97	21.84	2.82	11.37	38.83	9.12	13.25	10.39	13.13
81	09/08/15	16.11	22.45	13.77	22.41	21.85	2.72	11.44	38.30	9.10	12.74	10.00	13.02
82	09/04/15	16.13	22.31	13.47	21.70	21.69	2.72	11.48	37.52	8.79	12.74	9.89	12.65
83	09/03/15	16.19	22.47	13.99	22.26	21.90	2.76	11.29	38.29	8.72	12.81	9.90	12.77
84	09/02/15	16.28	22.84	14.12	22.62	22.08	2.82	11.41	38.73	8.66	12.81	10.00	12.80
85	09/01/15	16.00	22.43	14.18	22.27	21.47	2.92	11.30	39.01	8.51	12.95	9.60	12.75
86	08/31/15	16.13	22.92	14.29	22.88	21.91	2.92	11.49	39.75	8.40	12.95	9.60	13.14
87	08/28/15	16.25	23.05	14.27	23.20	21.79	2.76	11.41	38.29	8.26	12.95	9.50	12.96
88	08/27/15	16.32	22.97	14.43	22.95	21.77	2.82	11.25	38.90	8.50	12.95	9.77	12.88
89	08/26/15	16.32	22.85	14.20	22.86	21.77	2.89	11.15	39.91	8.45	12.92	9.46	13.18
90	08/25/15	16.39	22.66	13.92	22.15	21.36	2.95	11.01	39.05	8.44	12.71	9.80	13.17
91	08/24/15	16.35	22.78	14.17	22.11	21.02	3.05	11.13	39.56	8.31	12.58	9.50	13.00
92	08/21/15	16.55	23.01	14.40	23.00	21.92	3.25	11.67	40.11	8.39	12.88	9.40	13.86
93	08/20/15	16.98	22.84	14.32	23.44	22.24	3.05	11.48	40.72	8.54	13.00	9.68	14.09
94	08/19/15	17.01	23.18	14.48	23.66	23.23	3.06	11.79	41.81	8.65	13.00	9.68	14.04
95	08/18/15	17.10	23.17	14.58	23.93	23.16	2.96	11.77	42.57	8.50	12.75	9.50	14.20
96	08/17/15	17.18	23.45	14.74	24.30	24.07	2.98	11.79	43.27	8.47	12.95	9.99	14.32
97	08/14/15	17.00	23.34	14.40	24.79	24.34	2.99	11.29	42.94	8.17	13.02	9.35	14.36
98	08/13/15	17.05	23.23	14.27	23.30	23.96	3.00	10.63	43.33	8.05	14.43	9.33	14.39
99	08/12/15	17.76	22.91	14.20	23.20	24.47	3.04	11.29	43.15	7.72	14.16	9.44	14.43
100	08/11/15	17.80	22.77	14.43	22.68	24.54	2.99	11.24	41.33	7.63	14.16	9.18	14.50

**Exhibit 3 (continued)  
Closing Stock Price Data for the Comparative Group**

Ticker Symbol		AFH	BWINB	DGICA	EMCI	FNHC	FAC	HALL	HCI	KINS	NSEC	UNAM	UIHC
Count	Date	Price	Price	Price	Price	Price	Price	Price	Price	Price	Price	Price	Price
101	08/10/15	18.01	23.02	14.41	23.35	24.08	2.97	11.13	41.27	7.70	14.16	9.37	14.17
102	08/07/15	17.80	22.92	14.41	24.38	24.41	2.97	11.02	41.04	7.64	14.30	9.10	13.91
103	08/06/15	18.04	23.16	14.45	24.34	24.73	3.03	10.77	41.03	7.65	14.30	9.20	13.58
104	08/05/15	18.63	23.34	14.48	24.40	24.34	3.24	10.81	39.86	7.72	14.29	9.31	14.37
105	08/04/15	18.78	23.16	14.14	24.42	24.24	2.91	10.60	44.56	7.64	14.19	9.47	14.32
106	08/03/15	18.70	23.45	14.50	24.39	23.99	2.91	10.79	43.94	7.62	14.19	9.29	16.62
107	07/31/15	18.46	23.32	14.87	24.12	23.59	2.99	10.68	44.88	7.68	14.19	9.32	16.06
108	07/30/15	18.27	23.03	14.81	24.50	23.71	3.03	10.47	44.87	7.52	14.19	9.53	16.00
109	07/29/15	18.55	23.18	14.95	24.50	23.47	2.94	10.59	44.74	7.55	14.19	9.54	16.07
110	07/28/15	18.55	22.93	14.88	24.85	23.64	2.94	10.86	44.80	7.60	14.19	9.74	16.12
111	07/27/15	18.94	22.76	14.93	25.20	23.87	2.96	10.95	44.71	7.57	14.19	9.60	15.83
112	07/24/15	18.76	22.69	14.95	25.48	23.95	2.93	11.09	44.30	7.64	14.19	9.67	15.80
113	07/23/15	18.85	22.94	15.02	25.87	24.12	3.01	11.15	44.84	7.68	14.08	9.65	15.88
114	07/22/15	19.19	23.28	15.21	26.06	24.62	3.11	11.28	45.11	7.70	14.47	9.64	16.14
115	07/21/15	19.00	22.87	15.20	25.88	24.77	3.13	11.20	44.04	7.82	14.50	9.68	16.10
116	07/20/15	19.18	23.21	15.22	26.02	24.16	3.14	11.15	44.99	7.68	14.38	10.08	16.50
117	07/17/15	19.22	23.43	15.44	26.00	25.45	3.13	11.43	45.51	7.69	14.38	10.55	16.68
118	07/16/15	19.51	23.45	15.38	26.09	25.22	3.10	11.47	45.45	7.64	14.38	10.60	16.68
119	07/15/15	19.43	23.30	15.31	25.85	25.52	3.14	11.46	44.68	7.57	14.27	10.68	16.65
120	07/14/15	19.59	23.45	15.10	26.17	25.15	3.15	11.49	43.85	7.59	14.31	10.32	16.54
121	07/13/15	19.23	23.63	15.14	25.87	24.76	3.20	11.45	44.63	7.67	14.28	10.35	16.21
122	07/10/15	19.10	23.39	15.16	26.02	24.54	3.14	11.42	43.91	7.59	14.57	10.50	16.49
123	07/09/15	18.85	23.06	14.90	25.71	23.90	3.14	11.36	42.92	7.52	14.57	10.50	15.81
124	07/08/15	18.86	23.23	15.22	25.99	24.27	3.14	11.34	43.24	7.54	14.59	10.50	15.69
125	07/07/15	18.97	23.36	14.97	26.02	25.00	3.14	11.47	43.64	7.54	14.61	10.41	16.05
126	07/06/15	19.83	23.40	15.02	26.20	24.80	3.20	11.54	43.48	7.54	14.76	10.41	15.93
127	07/02/15	19.76	23.29	15.04	25.58	24.68	3.20	11.65	42.81	7.50	14.99	10.41	16.03
128	07/01/15	19.78	23.11	15.29	25.15	24.76	3.21	11.73	44.50	7.50	15.65	10.88	15.90
129	06/30/15	19.83	23.02	15.23	25.07	24.20	3.20	11.38	44.21	7.60	15.65	10.48	15.54
130	06/29/15	19.83	22.94	14.98	25.16	23.85	3.13	11.37	43.85	7.60	15.65	10.83	15.82
131	06/26/15	20.31	23.17	15.35	25.26	24.03	3.18	11.75	44.98	7.56	15.67	10.82	15.89
132	06/25/15	20.01	23.28	15.48	24.80	24.02	3.29	11.84	44.83	7.54	14.70	11.02	15.76
133	06/24/15	19.57	23.40	15.28	24.77	24.59	3.25	11.83	45.02	7.55	14.70	11.02	15.72
134	06/23/15	19.28	23.70	15.25	24.79	25.35	3.19	12.01	45.86	7.62	14.70	11.02	15.99
135	06/22/15	19.03	23.56	15.22	24.67	24.55	3.25	11.96	44.59	7.62	14.68	11.05	15.51
136	06/19/15	19.13	23.44	15.14	24.18	25.02	3.21	11.69	43.71	7.61	14.55	11.05	15.35
137	06/18/15	19.10	23.69	15.16	24.45	25.80	3.27	11.61	43.10	7.59	14.75	11.05	15.58
138	06/17/15	18.76	23.19	15.13	24.28	25.62	3.22	11.49	43.07	7.65	14.75	11.05	15.35
139	06/16/15	18.80	23.08	15.06	24.19	26.11	3.18	11.54	43.19	7.60	15.01	11.50	15.13
140	06/15/15	18.99	22.75	15.08	23.90	25.45	3.17	11.48	42.80	7.58	15.20	11.08	14.65
141	06/12/15	18.93	22.93	14.98	24.40	25.36	3.18	11.56	43.40	7.60	15.30	11.08	14.38
142	06/11/15	18.82	23.30	14.99	24.32	25.29	3.25	11.64	43.27	7.48	15.30	11.50	14.22
143	06/10/15	18.98	23.36	14.82	23.94	24.93	3.21	11.63	43.03	7.55	15.30	11.08	14.08
144	06/09/15	18.75	23.08	14.72	23.51	24.77	3.18	11.17	42.25	7.49	15.20	11.08	13.92
145	06/08/15	18.85	23.07	14.72	23.62	24.80	3.24	11.34	42.73	7.59	15.99	11.23	14.20
146	06/05/15	18.79	23.24	14.79	23.85	25.65	3.22	11.39	43.55	7.64	15.50	11.49	14.43
147	06/04/15	18.79	22.99	14.86	23.65	25.43	3.22	11.40	43.40	7.47	15.50	11.49	14.61
148	06/03/15	18.82	23.15	14.79	23.84	25.50	3.24	11.41	43.68	7.41	15.49	11.49	14.39
149	06/02/15	18.78	22.83	14.86	23.63	25.32	3.22	11.49	43.24	7.44	15.15	11.61	14.65
150	06/01/15	18.79	22.45	14.69	23.65	25.69	3.14	11.44	43.48	7.41	15.24	11.61	14.91
151	05/29/15	18.81	22.49	14.80	23.65	25.68	3.22	11.10	43.23	7.44	15.23	11.61	14.42
152	05/28/15	18.90	22.58	14.94	23.58	25.61	3.24	11.14	43.40	7.44	15.23	11.57	14.50
153	05/27/15	19.10	22.74	14.75	23.38	26.08	3.21	11.32	42.87	7.44	15.23	11.55	14.01

**Exhibit 3 (continued)  
Closing Stock Price Data for the Comparative Group**

Ticker Symbol		AFH	BWINB	DGICA	EMCI	FNHC	FAC	HALL	HCI	KINS	NSEC	UNAM	UIHC
Count	Date	Price	Price	Price	Price	Price	Price	Price	Price	Price	Price	Price	Price
154	05/26/15	18.81	22.44	14.38	22.77	25.52	3.19	11.42	42.35	7.50	15.50	11.97	14.66
155	05/22/15	18.95	22.94	14.54	23.16	25.65	3.25	11.65	43.80	7.60	15.68	11.83	15.05
156	05/21/15	18.98	23.03	14.66	23.26	25.70	3.21	11.68	43.45	7.57	15.37	11.51	15.04
157	05/20/15	18.96	23.07	14.71	23.19	26.17	3.19	11.71	44.46	7.50	15.84	11.51	15.25
158	05/19/15	18.61	23.09	14.66	23.11	26.56	3.19	11.65	44.45	7.52	15.00	11.54	16.34
159	05/18/15	19.00	22.63	14.99	23.06	26.61	3.15	11.53	44.41	7.54	15.50	11.88	16.15
160	05/15/15	18.99	22.32	15.15	22.98	25.79	3.00	11.43	44.89	7.60	15.25	11.58	15.87
161	05/14/15	19.05	22.55	15.20	23.00	26.60	2.86	11.68	44.76	7.42	14.82	11.56	15.52
162	05/13/15	19.19	22.26	15.13	22.85	26.06	3.14	11.37	45.12	7.27	15.51	12.00	15.80
163	05/12/15	19.06	22.59	15.09	23.03	26.11	3.20	11.28	44.57	7.17	15.51	12.00	15.97
164	05/11/15	19.31	22.65	15.23	23.40	26.28	3.34	11.29	45.88	7.18	15.51	12.00	15.81
165	05/08/15	19.09	22.65	15.19	23.60	27.05	3.12	11.34	46.36	7.12	14.90	12.03	16.77
166	05/07/15	18.97	22.72	15.24	23.02	26.55	3.03	11.12	47.35	7.22	14.90	11.41	17.00
167	05/06/15	18.94	22.63	15.13	22.13	26.64	3.04	11.11	46.67	7.28	15.00	11.40	16.14
168	05/05/15	18.14	22.52	15.12	22.08	25.86	3.18	11.27	46.20	7.32	14.65	11.40	16.18
169	05/04/15	18.18	22.84	15.13	22.43	26.52	3.18	11.22	47.00	7.40	14.65	11.65	16.94
170	05/01/15	18.29	22.86	15.18	23.11	25.60	3.10	11.20	46.42	7.40	14.25	10.50	16.89
171	04/30/15	18.45	22.69	15.11	23.09	28.80	2.87	11.08	43.58	7.41	14.32	10.60	16.63
172	04/29/15	18.99	23.18	15.19	23.19	29.79	2.90	11.32	44.01	7.54	15.31	10.52	19.80
173	04/28/15	19.08	23.36	15.51	23.44	29.79	2.90	11.59	44.70	7.47	15.78	10.80	20.28
174	04/27/15	19.04	23.33	15.63	23.33	29.46	2.67	11.43	45.02	7.45	16.12	10.80	19.61
175	04/24/15	19.32	23.08	15.65	23.33	30.32	2.83	11.27	46.71	7.50	16.12	10.76	21.02
176	04/23/15	19.17	23.03	15.26	23.29	30.19	2.82	11.28	46.00	7.49	16.28	10.76	20.99
177	04/22/15	19.24	23.14	15.38	22.99	30.65	2.82	11.37	46.40	7.49	15.93	10.70	20.78
178	04/21/15	19.26	23.21	15.34	22.91	30.07	2.75	11.44	45.32	7.50	16.07	10.65	20.60
179	04/20/15	19.29	23.33	15.35	23.17	30.24	2.76	11.42	45.89	7.59	15.93	10.54	20.75
180	04/17/15	18.89	23.27	15.16	23.02	29.51	2.76	11.28	45.04	7.57	15.60	10.66	20.24
181	04/16/15	18.94	24.00	15.18	23.05	30.30	2.80	11.39	46.97	7.51	16.05	10.43	21.17
182	04/15/15	18.96	23.99	15.30	23.06	30.02	2.80	11.45	46.47	7.56	16.25	10.50	21.79
183	04/14/15	18.99	23.31	15.28	22.93	30.18	2.76	11.93	47.14	7.60	15.73	10.50	21.36
184	04/13/15	19.16	23.40	15.28	22.73	31.01	2.74	11.20	46.90	7.68	16.19	10.50	21.40
185	04/10/15	19.33	23.20	15.26	22.87	31.25	2.68	10.88	46.61	7.56	16.50	10.75	20.49
186	04/09/15	19.17	22.99	15.42	23.16	31.26	2.69	10.76	46.12	7.58	15.45	10.47	21.36
187	04/08/15	18.89	23.04	15.52	23.03	31.26	2.57	10.57	46.55	7.62	14.01	10.38	22.37
188	04/07/15	18.22	22.90	15.64	23.07	30.15	2.47	10.65	46.35	7.65	14.15	10.53	22.35
189	04/06/15	17.83	23.33	15.74	23.13	30.48	2.50	10.95	46.20	7.57	14.03	11.00	22.40
190	04/02/15	17.95	23.29	15.77	23.03	30.16	2.42	11.10	46.61	7.59	14.10	10.58	22.36
191	04/01/15	17.79	23.61	15.73	22.95	31.46	2.38	10.79	47.16	7.71	14.06	10.67	22.81
192	03/31/15	17.67	23.46	15.72	22.53	30.60	2.42	10.60	45.87	7.53	14.10	10.79	22.50
193	03/30/15	17.60	23.45	15.67	21.73	29.41	2.49	10.63	44.37	7.52	14.33	10.79	22.00
194	03/27/15	17.71	23.26	14.96	21.57	28.70	2.46	10.45	43.11	7.58	14.38	10.88	22.07
195	03/26/15	17.77	23.27	15.19	21.37	29.45	2.43	10.35	43.62	7.75	14.00	10.90	22.27
196	03/25/15	17.91	23.29	15.08	21.49	29.80	2.43	10.26	45.24	7.85	14.00	10.90	22.57
197	03/24/15	17.86	23.60	15.20	21.44	30.17	2.49	10.35	45.38	7.80	13.95	10.68	22.70
198	03/23/15	17.51	23.61	15.24	21.15	30.59	2.48	10.23	45.57	7.85	14.00	10.97	22.93
199	03/20/15	17.57	23.81	15.25	21.50	29.07	2.44	10.45	46.05	7.74	14.15	10.80	22.45
200	03/19/15	17.29	23.61	15.16	21.00	29.22	2.49	11.06	45.47	7.76	14.24	10.88	22.49
201	03/18/15	17.74	23.57	15.24	21.02	29.11	2.46	11.25	45.29	7.88	14.24	11.05	21.86
202	03/17/15	17.85	23.46	15.23	21.05	29.36	2.46	11.07	46.74	7.96	14.40	11.05	22.75
203	03/16/15	18.09	23.69	15.18	21.01	29.47	2.46	11.19	49.00	7.89	14.40	11.05	23.54
204	03/13/15	17.99	23.37	15.19	21.13	29.51	2.30	11.27	48.71	7.92	14.42	10.69	23.39
205	03/12/15	17.99	23.40	15.25	21.16	29.84	2.36	11.32	48.50	8.00	14.42	10.69	23.00
206	03/11/15	17.13	23.37	14.83	21.17	28.68	2.42	11.03	46.12	7.66	14.47	10.73	22.90



**Exhibit 3 (continued)  
Closing Stock Price Data for the Comparative Group**

Ticker Symbol	AFH	BWINB	DGICA	EMCI	FNHC	FAC	HALL	HCI	KINS	NSEC	UNAM	UIHC	
Count	Price	Price	Price	Price	Price	Price	Price	Price	Price	Price	Price	Price	
207	03/10/15	16.89	23.24	14.81	20.79	28.79	2.44	11.12	45.19	7.80	14.21	11.01	22.58
208	03/09/15	17.25	23.21	15.03	20.83	28.82	2.44	11.22	46.96	8.00	14.31	11.02	22.76
209	03/06/15	17.37	23.00	14.80	20.41	28.95	2.46	10.88	47.46	8.00	14.14	11.70	23.41
210	03/05/15	17.47	23.13	15.01	20.55	28.38	2.44	10.70	46.78	7.95	13.66	11.70	23.65
211	03/04/15	17.55	23.17	15.07	20.45	29.12	2.44	10.75	46.50	7.76	13.60	11.70	23.56
212	03/03/15	17.84	23.11	15.12	20.53	29.45	2.47	11.07	47.23	7.62	13.80	11.70	24.47
213	03/02/15	18.09	23.30	15.17	20.54	30.11	2.43	11.21	48.02	7.61	13.70	11.70	25.41
214	02/27/15	17.98	23.23	15.33	20.82	28.93	2.41	11.28	47.32	7.90	13.84	11.70	24.41
215	02/26/15	18.10	23.26	15.28	21.01	30.10	2.44	11.38	47.54	7.79	12.96	11.70	24.70
216	02/25/15	18.06	23.23	15.11	20.75	28.82	2.45	11.10	46.26	7.60	12.96	11.70	24.04
217	02/24/15	18.04	23.22	15.39	21.01	28.71	2.44	10.87	46.48	7.57	12.96	11.70	24.55
218	02/23/15	17.67	23.21	15.34	20.01	28.81	2.39	10.92	46.93	7.57	13.03	11.85	24.14
219	02/20/15	17.65	23.19	15.81	20.00	28.42	2.40	10.87	46.91	7.55	13.11	11.85	22.97
220	02/19/15	17.59	23.22	16.20	20.51	29.03	2.47	10.81	47.11	7.60	13.10	11.85	22.44
221	02/18/15	17.62	23.20	16.16	21.16	29.93	2.48	10.68	46.47	7.59	13.15	11.85	25.46
222	02/17/15	17.59	23.25	16.09	21.09	29.46	2.40	10.59	47.00	7.57	13.20	11.85	27.64
223	02/13/15	17.55	23.41	16.18	22.20	29.64	2.38	10.48	50.01	7.60	13.20	11.75	27.40
224	02/12/15	17.81	23.40	16.10	22.57	29.93	2.40	10.64	49.30	7.60	13.40	11.85	27.74
225	02/11/15	17.54	23.22	16.04	22.25	30.00	2.38	10.65	48.54	7.64	14.00	11.90	27.38
226	02/10/15	17.53	23.14	16.06	22.17	29.90	2.34	10.97	47.85	7.55	14.00	11.90	27.75
227	02/09/15	17.45	23.17	16.11	22.05	29.33	2.27	11.05	47.50	7.60	14.00	11.84	27.58
228	02/06/15	17.57	23.33	16.04	22.67	30.09	2.27	11.22	48.64	7.58	14.00	11.75	28.09
229	02/05/15	17.52	23.43	16.22	22.40	30.10	2.26	11.29	48.49	7.60	13.36	11.90	27.84
230	02/04/15	17.18	23.29	16.17	22.13	30.27	2.34	11.26	48.28	7.66	13.36	11.81	27.95
231	02/03/15	17.06	23.55	16.07	22.39	30.37	2.25	11.52	47.99	7.62	13.85	11.75	26.89
232	02/02/15	16.83	23.42	15.98	21.60	29.76	2.29	11.16	46.30	7.65	14.00	12.00	25.79
233	01/30/15	16.70	23.10	15.99	21.51	29.11	2.33	11.04	46.21	7.79	13.04	12.06	24.43
234	01/29/15	17.05	23.84	16.18	22.01	30.15	2.38	11.27	46.60	7.82	13.04	11.75	25.63
235	01/28/15	17.39	23.26	16.01	21.41	29.65	2.41	11.07	46.20	7.81	13.08	12.08	25.32
236	01/27/15	17.55	23.94	16.11	22.23	28.92	2.35	11.28	46.56	7.83	13.22	11.73	23.78
237	01/26/15	17.19	24.20	16.24	22.45	28.08	2.29	11.25	46.94	7.81	13.50	11.74	23.93
238	01/23/15	16.68	24.51	16.14	22.55	27.59	2.34	11.41	46.17	8.09	13.38	12.06	23.51
239	01/22/15	16.44	24.59	16.20	23.04	27.77	2.40	11.62	46.58	8.07	13.38	11.82	23.75
240	01/21/15	16.19	24.35	15.96	22.56	26.56	2.48	11.36	46.00	8.06	13.38	11.93	23.28
241	01/20/15	16.51	24.69	15.79	22.84	26.50	2.48	11.07	45.78	8.06	13.38	11.70	23.31
242	01/16/15	16.48	24.99	15.96	23.37	26.58	2.43	11.08	46.62	8.07	13.77	11.70	22.87
243	01/15/15	16.03	24.53	16.00	22.75	25.80	2.37	11.01	45.23	7.98	13.24	11.83	22.72
244	01/14/15	16.47	24.92	16.19	23.17	26.25	2.31	11.28	46.02	7.87	13.67	11.70	22.25
245	01/13/15	16.79	25.25	16.13	22.60	26.15	2.29	11.39	45.41	7.85	13.28	11.72	21.98
246	01/12/15	16.14	25.00	16.20	22.55	25.95	2.30	11.32	45.02	7.89	13.75	11.72	21.49
247	01/09/15	16.05	25.20	16.30	22.61	25.76	2.30	11.59	44.13	7.97	13.75	11.70	21.68
248	01/08/15	16.05	25.40	16.43	22.85	26.15	2.35	11.67	44.18	7.97	13.75	11.70	21.75
249	01/07/15	16.03	25.24	16.20	22.60	26.44	2.40	11.40	43.01	7.96	14.01	11.52	21.02
250	01/06/15	15.87	25.07	16.04	22.62	25.37	2.44	11.52	41.42	7.89	13.50	11.48	21.15
251	01/05/15	16.35	25.23	16.11	22.91	24.07	2.44	11.97	42.55	7.98	13.50	11.44	21.25
252	01/02/15	16.84	25.42	15.98	22.70	23.61	2.49	12.11	42.88	8.02	13.65	11.44	21.17
	12/31/14	16.32	25.78	15.98	23.64	24.16	2.55	12.09	43.24	8.15	13.45	11.44	21.95

Source: SNL Financial.



000004

MR A SAMPLE  
 DESIGNATION (IF ANY)  
 ADD 1  
 ADD 2  
 ADD 3  
 ADD 4  
 ADD 5  
 ADD 6

Holder Account Number  
 C 1234567890 J N T



**STOCK ORDER FORM**

*NI Holdings, Inc.*

1101 First Avenue North  
 Fargo, ND 58102  
 Call us toll-free  
 at 1-877-\_\_\_\_-

Policy Number  
 Policy Name  
 Policy Address

**For Internal Use Only**  
 BATCH # \_\_\_\_\_ ORDER # \_\_\_\_\_ CATEGORY \_\_\_\_\_  
 REC'D \_\_\_\_\_ O \_\_\_\_\_ C \_\_\_\_\_

ORDER DEADLINE & DELIVERY: A Stock Order Form, properly completed and with full payment, must be received (not postmarked) by 12:00 noon, Central Time, on \_\_\_\_\_, 2016. Subscription rights cannot be exercised after this time. Stock Order Forms can be delivered by using the enclosed Order Reply Envelope, or by hand or overnight delivery to the Stock Information Center address on this form. Stock Order Forms will only be accepted at this address. Faxes or copies of this form will not be accepted.

**PLEASE PRINT CLEARLY AND COMPLETE ALL APPLICABLE SHADED AREAS - READ THE ENCLOSED STOCK ORDER FORM INSTRUCTIONS (BLUE SHEET) AS YOU COMPLETE THIS FORM**

<p><b>(1) NUMBER OF SHARES</b></p> <p>_____</p>	<p><b>SUBSCRIPTION PRICE PER SHARE</b></p> <p>X \$10.00 =</p>	<p><b>(2) TOTAL PAYMENT DUE</b></p> <p>\$ _____ .00</p>	<p><b>(3) METHOD OF PAYMENT - CHECK OR MONEY ORDER</b>                  Enclosed is a personal check, bank check or money order made payable to: <b>Christiana Trust on behalf of NI Holdings, Inc.</b> in the amount of: \$ _____ .00</p> <p><small>Cash, wire transfers and third party checks will not be accepted for this purchase. Checks and money orders will be cashed upon receipt.</small></p>																
<p><b>(4) PURCHASER INFORMATION - SUBSCRIPTION OFFERING (descending order of priority)</b></p> <p>a. <input type="checkbox"/> Check here if you were a policyholder of Nodak Mutual Insurance Company ("Nodak Mutual") as of January 21, 2016. (List policy information below.)</p> <p>b. <input type="checkbox"/> Check here if you are a director, officer or employee of Nodak Mutual.</p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 70%;">Policy Title (Names on Policy)</th> <th style="width: 30%;">Policy Number(s)</th> </tr> </thead> <tbody> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> </tbody> </table> <p><small>PLEASE NOTE: FAILURE TO LIST YOUR ELIGIBLE POLICIES, OR PROVIDING INCORRECT OR INCOMPLETE INFORMATION, COULD RESULT IN THE LOSS OF PART OR ALL OF YOUR SHARE ALLOCATION. ATTACH A SEPARATE PAGE IF ADDITIONAL SPACE IS NEEDED.</small></p>			Policy Title (Names on Policy)	Policy Number(s)									<p><b>(5) PURCHASER INFORMATION - COMMUNITY OFFERING</b></p> <p>c. <input type="checkbox"/> Became a policyholder of Nodak Mutual after January 21, 2016.</p> <p>d. <input type="checkbox"/> Licensed insurance producer appointed by Nodak Mutual.</p> <p>e. <input type="checkbox"/> Member of North Dakota Farm Bureau and not a policyholder of Nodak Mutual.</p> <p>f. <input type="checkbox"/> Employee of Tri-State Ltd.</p> <p>g. <input type="checkbox"/> Licensed insurance producer appointed by Battle Creek, American West, or Primero</p> <p>h. <input type="checkbox"/> Resident of South Dakota, Minnesota, Nebraska, Nevada, or Arizona.</p> <p>i. <input type="checkbox"/> Member of General Public.</p> <p><b>(6) Redemption of Subscription Rights (Check a box, if applicable)</b></p> <p><input type="checkbox"/> I was a policyholder of Nodak Mutual on January 21, 2016, and I elect to have NI Holdings redeem my subscription rights for \$215.74 in cash.</p>						
Policy Title (Names on Policy)	Policy Number(s)																		
<p><b>(7) MAXIMUM PURCHASER IDENTIFICATION</b></p> <p><input type="checkbox"/> Check here if you, individually or together with others (see Section 8), are subscribing for the maximum number of shares and are interested in purchasing more shares if the maximum purchase limitation is increased. See Section 1 of the Stock Order Form Instructions.</p>																			
<p><b>(8) ASSOCIATES/AFFILIATES/ACTION IN CONCERT</b></p> <p><input type="checkbox"/> Check here if you, or any affiliates and associates or persons acting in concert with you, have submitted other orders for shares. If you check the box, list below all other orders submitted by you or your affiliates and associates or by persons acting in concert with you.</p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 50%;">Name(s) listed in Section 9 on other Stock Order Forms</th> <th style="width: 25%;">Number of shares ordered</th> <th style="width: 50%;">Name(s) listed in Section 9 on other Stock Order Forms</th> <th style="width: 25%;">Number of shares ordered</th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> </tbody> </table>				Name(s) listed in Section 9 on other Stock Order Forms	Number of shares ordered	Name(s) listed in Section 9 on other Stock Order Forms	Number of shares ordered												
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VOLUNTARY CORPORATE ACTION COY: NODK

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## STOCK ORDER FORM - SIDE 2

### (11) ACKNOWLEDGMENT AND SIGNATURES (continued from front of Stock Order Form)

I/we certify that, if signing on behalf of a company registering common stock in Section 9, or otherwise signing in a fiduciary capacity, I/we am/are legally authorized to do so.

I (we) agree that after receipt by NI Holdings, Inc., this Stock Order Form may not be modified or canceled without NI Holdings, Inc.'s consent. Subscription rights pertain to those eligible to subscribe in the Subscription Offering. North Dakota law prohibits any person from transferring or entering into any agreement, directly or indirectly, to transfer the legal or beneficial ownership of subscription rights, or the underlying securities to the account of another, except as described in the Prospectus. Under penalty of perjury, I (we) certify that (1) the Social Security or Tax ID information and all other information provided hereon are true, correct and complete, (2) I am the owner of any subscription rights being exercised or a permitted transferee of such rights as described in the Prospectus, and (3) I am (we are) purchasing shares solely for my (our) own account and that there is no agreement or understanding regarding the sale or transfer of such shares, or the right to subscribe for shares

### I (WE) ACKNOWLEDGE THAT THE SHARES OF COMMON STOCK ARE NOT INSURED, AND ARE NOT GUARANTEED BY NI HOLDINGS, INC. OR BY THE FEDERAL OR STATE GOVERNMENT.

I (we) further certify that, before purchasing the common stock of NI Holdings, Inc., I (we) received the Prospectus dated \_\_\_\_\_, 2016, which contains disclosures concerning, among other things, the nature of the security being offered and the risks involved in the investment. See the "Risk Factors" section beginning on page \_\_\_ of the Prospectus.

By executing this form the investor is not waiving any rights under the Federal securities laws, including the Securities Act of 1933 and the Securities and Exchange Act of 1934.

If you purchase shares of common stock of NI Holdings, Inc. in this offering, none of your subscription rights will be redeemed as described in the Prospectus dated \_\_\_\_\_, 2016.

**WHETHER OR NOT YOU PURCHASE SHARES OF NI HOLDINGS, INC. YOU MUST COMPLETE AND SIGN THE FORM W-9 INCLUDED WITH THIS ORDER FORM AND SUBMIT THIS FORM TO NODAK MUTUAL.**

**NI HOLDINGS, INC.**  
**STOCK ORDER FORM INSTRUCTIONS**

**Sections (1) and (2) - Number of Shares and Total Payment Due.** Indicate the Number of Shares that you wish to subscribe for and the Total Payment Due. Calculate the Total Payment Due by multiplying the number of shares by the \$10.00 price per share. The minimum purchase is 25 shares (\$250). The maximum allowable purchase for any person or entity, together with associates, affiliates or persons acting in concert with such person or entity, is 5% of the total number of shares issued in the offering. Please see the Prospectus section entitled "The Conversion - Limitations on Purchase of Common Stock," beginning on Page \_\_\_ of the Prospectus. By signing this form, you are certifying that your order does not conflict with these purchase limitations.

**Section (3) - Payment by Check or Money Order.** Payment must be made by including with this form a personal check, bank check or money order payable to "Christiana Trust on behalf of NI Holdings, Inc." These will be cashed upon receipt; the funds remitted by personal check, must be available within the account when your Stock Order Form is received. Indicate the amount remitted. Please do not remit cash, wire transfers or third party checks for this purchase.

**Section (4) - Purchaser Information (Subscription Offering).** Please check the box that reflects the highest eligibility priority of the purchasers listed in Section 4 or 5 of the Stock Order Form. If you checked box (a), please list all names and policy numbers that the purchaser(s) had with Nodak Mutual at January 21, 2016 (an "Eligible Policyholder"). Include all policies held individually or jointly. If purchasing shares for a minor, list only the minor's eligible policies. If purchasing shares for a corporation or partnership, list only the entity's eligible policies. Attach a separate page, if necessary. Box (b) refers to any director, officer or employee of Nodak Mutual who was not an Eligible Policyholder. Failure to complete this section, or providing incorrect or incomplete information, could result in a loss of part or all of our share allocation in the event of an oversubscription. Orders placed in the Subscription Offering will take preference over orders placed in the Community Offering. See "The Conversion" section of the Prospectus for further details about the Subscription Offering and Community Offering, and the method for allocating shares in the event of an oversubscription.

**Section (5) Purchaser Information (Community Offering).** If boxes (a) and (b) do not apply, please check one of box (c), (d), (e), (f) or (g) applicable to the purchaser(s) in Section 9. Orders placed in the Subscription Offering will take preference over orders placed in the Community Offering. If you checked box (c), please list all names and policy numbers that the purchasers currently have with Nodak Mutual. See "The Conversion" section of the Prospectus for further details about the Subscription Offering and Community Offering, and the method for allocating shares in the event of an oversubscription.

**Section (6) - Redemption of Subscription Rights.** Check the box if you want to have your subscription rights redeemed for cash by NI Holdings, Inc.

**Section (7) - Maximum Purchaser Identification.** Check the box, if applicable. If you check the box but have not subscribed for at least \_\_\_\_\_ shares and did not complete Section 8, you may not have an opportunity to purchase more shares.

**Section (8) - Associates/Affiliates/Acting in Concert.** Check the box, if applicable, and provide the requested information. Attach a separate page, if necessary. Please see the Prospectus section entitled "The Conversion - Limitations on Purchases of Common Stock" for the definition of "associate," "affiliate" and "acting in concert."

**Section (9) - Stock Registration.** Clearly PRINT the name(s) in which you want the shares registered and the mailing address for all correspondence related to your order, including the notice of the shares issued to you. Each Stock Order Form will generate one notice of the shares issued to you, subject to the stock allocation provisions described in the Prospectus. **IMPORTANT:** Except as described in the Prospectus, subscription rights are non-transferable. If placing an order in the Subscription Offering, you may include the names of one or more named insureds on the eligible policy, but you may not add the names of persons who are not named insureds on your eligible policy unless such person is a permitted transferee. **NOTE FOR FINRA MEMBERS:** If you are a member of the Financial Industry Regulatory Authority ("FINRA"), or a person affiliated or associated with a FINRA member, you may have additional reporting requirements. Please report this subscription in writing to the applicable FINRA member within one day of payment thereof.

**Section (10) - Form of Stock Ownership.** For reasons of clarity and standardization, the stock transfer industry has developed uniform stockholder registrations for securities. Beneficiaries may not be named on stock registrations. If you have any questions on wills, estates, beneficiaries, etc., please consult your legal advisor. When registering stock, do not use two initials - use the full first name, middle initial and last name. Omit words that do not affect ownership such as "Dr." or "Mrs." Check the one box that applies.

**Buying Stock Individually** - Used when shares are registered in the name of only one owner. To qualify in the Subscription Offering, the purchaser named in Section 9 of the Stock Order Form must have been a named insured of Nodak Mutual as of January 21, 2016, a director, officer or employee of Nodak Mutual, or a permitted transferee.

**Buying Stock Jointly** - To qualify in the Subscription Offering, the persons named in Section 9 of the Stock Order Form must have been a named insured of Nodak Mutual as of January 21, 2016, a director, officer or employee of Nodak Mutual, or a permitted transferee.

**Joint Tenants** - Joint Tenancy (with Right of Survivorship) may be specified to identify two or more owners where ownership is intended to pass automatically to the surviving tenant(s). All owners must agree to the sale of shares.

**Tenants in Common** - May be specified to identify two or more owners where, upon the death of one co-tenant, ownership of the stock will be held by the surviving co-tenant(s) and by the heirs of the deceased co-tenant. All owners must agree to the sale of shares.

**Buying Stock for a Minor** - Shares may be held in the name of a custodian for a minor under the Uniform Transfer to Minors Act. To qualify in the Subscription Offering, the minor (not the custodian) named in Section 9 of the Stock Order Form must have been a named insured of Nodak Mutual as of January 21, 2016, a director, officer or employee of Nodak Mutual, or a permitted transferee.

The standard abbreviation for custodian is "CUST." The Uniform Transfer to Minors Act is "UTMA." Include the state abbreviation. For example, stock held by John Smith, as custodian for Susan Smith under the PA Uniform Transfer to Minors Act, should be registered as John Smith CUST Susan Smith UTMA-PA (list only the minor's social security number).

**Buying Stock for a Corporation/Partnership** - On the first name line, indicate the name of the corporation or partnership and indicate that entity's Tax ID Number for reporting purposes. To qualify in the Subscription Offering, the corporation or partnership named in Section 9 of the Stock Order Form must have been a named insured of Nodak Mutual as of January 21, 2016.

**Buying Stock in a Trust/Fiduciary Capacity** - Indicate the name of the fiduciary and the capacity under which they are acting (for example, "Executor"), or name of the trust, the trustees and the date of the trust. Indicate the Tax ID Number to be used for reporting purposes. To qualify in the Subscription Offering, the entity named in Section 9 of the Stock Order Form must have been a named insured of Nodak Mutual as of January 21, 2016, a director, officer or employee of Nodak Mutual, or a permitted transferee.

**Buying Stock in a Self-Directed IRA** (for trustee/broker use only) - Stock may be purchased using self-directed individual retirement accounts which have the ability to hold the securities, such as at a brokerage firm. The purchase of shares using such funds can only be made through a self-directed retirement account, not through retirement accounts which are not self-directed. Registration should reflect the custodian or trustee firm's registration requirements. For example, on the first name line indicate the name of the brokerage firm, followed by CUST or TRUSTEE. On the second name line, indicate the name of the beneficial owner (for example, "FBO JOHN SMITH IRA"). You can indicate an account number or other underlying information, and the custodian or trustee firm's address and department to which all correspondence should be mailed related to this order, including the notice of shares issued. Indicate the Tax ID Number under which the IRA account should be reported for tax purposes.

**Section (11) - Acknowledgment and Signature(s).** Sign and date the Stock Order Form where indicated. All persons listed in Section 9 of the Stock Order Form must sign the form. If signing on behalf of a company registering common stock in Section 9, or otherwise signing in a fiduciary capacity, you must be legally authorized to do so. Before you sign, please carefully review the information you provided and read the acknowledgment. Verify that you have printed clearly, and completed all applicable shaded areas on the Stock Order Form.

Please review the Prospectus carefully before making an investment decision. **Deliver your completed Stock Order Form, with full payment, so that it is received (not postmarked) by NI Holdings, Inc. by 12:00 noon, Central Time, on \_\_\_\_\_, 2016.** Stock Order Forms can be delivered by using the enclosed postage paid Order Reply Envelope, or by hand or overnight delivery to the Stock Information Center address on the front of the Stock Order Form. Stock Order Forms will only be accepted at this address. We are not required to accept Stock Order Forms that are found to be deficient or incorrect, or that do not include proper payment or the required signature.

**OVERNIGHT DELIVERY can be made to the Stock Information Center address provided on the front of the Stock Order Form.**

**QUESTIONS?** Call our Stock Information Center, toll-free, at 1-877-\_\_\_\_-\_\_\_\_ Monday through Friday from 10:00 a.m. to 4:00 p.m. Central Time. The Stock Information Center is not open on weekends or bank holidays.

VOLUNTARY CORPORATE ACTION COY: NODK





# Instructions for the Requester of Form W-9

(Rev. December 2014)

## Request for Taxpayer Identification Number and Certification

Section references are to the Internal Revenue Code unless otherwise noted.

### Future Developments

For the latest developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/w9](http://www.irs.gov/w9).

### Reminders

**Foreign Account Tax Compliance Act (FATCA).** FATCA requires a participating foreign financial institution to report all U.S. account holders that are specified U.S. persons. Form W-9 and the Instructions for the Requester of Form W-9 have an *Exemptions* box on the front of the form that includes entry for the *Exempt payee code (if any)* and *Exemption from FATCA Reporting Code (if any)*. The references for the appropriate codes are in the *Exemptions* section of Form W-9, and in the *Payees Exempt from Backup Withholding and Payees and Account Holders Exempt From FATCA Reporting* sections of these instructions.

The *Certification* section in Part II of Form W-9 includes certification relating to FATCA reporting.

**Payment card and third party network transactions.** References to payments made in settlement of payment card and third party network transactions are included in the *Purpose of Form* section of Form W-9. For more information, see the *Instructions for Form 1099-K, Payment Card and Third Party Network Transactions* on IRS.gov. Also, visit [www.irs.gov/1099k](http://www.irs.gov/1099k).

**Backup withholding rate.** The backup withholding rate is 28% for reportable payments.

**TIN matching e-services.** The IRS website offers TIN Matching e-services for certain payers to validate name and TIN combinations. See *Taxpayer Identification Number (TIN) Matching* on page 4.

### How Do I Know When To Use Form W-9?

Use Form W-9 to request the taxpayer identification number (TIN) of a U.S. person (including a resident alien) and to request certain certifications and claims for exemption. (See *Purpose of Form* on Form W-9.) Withholding agents may require signed Forms W-9 from U.S. exempt recipients to overcome a presumption of foreign status. For federal purposes, a U.S. person includes but is not limited to:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- Any estate (other than a foreign estate), or

- A domestic trust (as defined in Regulations section 301.7701-7).

A partnership may require a signed Form W-9 from its U.S. partners to overcome a presumption of foreign status and to avoid withholding on the partner's allocable share of the partnership's effectively connected income. For more information, see Regulations section 1.1446-1.

Advise foreign persons to use the appropriate Form W-8 or Form 8233, *Exemption From Withholding on Compensation for Independent (and Certain Dependent) Personal Services of a Nonresident Alien Individual*. See Pub. 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*, for more information and a list of the W-8 forms.

Also, a nonresident alien individual may, under certain circumstances, claim treaty benefits on scholarships and fellowship grant income. See Pub. 515 or Pub. 519, *U.S. Tax Guide for Aliens*, for more information.

### Electronic Submission of Forms W-9

Requesters may establish a system for payees and payees' agents to submit Forms W-9 electronically, including by fax. A requester is anyone required to file an information return. A payee is anyone required to provide a taxpayer identification number (TIN) to the requester.

**Payee's agent.** A payee's agent can be an investment advisor (corporation, partnership, or individual) or an introducing broker. An investment advisor must be registered with the Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940. The introducing broker is a broker-dealer that is regulated by the SEC and the National Association of Securities Dealers, Inc., and that is not a payer. Except for a broker who acts as a payee's agent for "readily tradable instruments," the advisor or broker must show in writing to the payer that the payee authorized the advisor or broker to transmit the Form W-9 to the payer.

**Electronic system.** Generally, the electronic system must:

- Ensure the information received is the information sent, and document all occasions of user access that result in the submission;
- Make reasonably certain that the person accessing the system and submitting the form is the person identified on Form W-9, the investment advisor, or the introducing broker;
- Provide the same information as the paper Form W-9;
- Be able to supply a hard copy of the electronic Form W-9 if the Internal Revenue Service requests it; and
- Require as the final entry in the submission an electronic signature by the payee whose name is on Form W-9 that authenticates and verifies the submission. The electronic signature must be under penalties of perjury and the perjury statement must contain the language of the paper Form W-9.



For Forms W-9 that are not required to be signed, the electronic system need not provide for an electronic signature or a perjury statement.

For more details, see the following.

- Announcement 98-27, which is on page 30 of Internal Revenue Bulletin 1998-15 at [www.irs.gov/pub/irs-irbs/irb98-15.pdf](http://www.irs.gov/pub/irs-irbs/irb98-15.pdf).
- Announcement 2001-91, which is on page 221 of Internal Revenue Bulletin 2001-36 at [www.irs.gov/pub/irs-irbs/irb01-36.pdf](http://www.irs.gov/pub/irs-irbs/irb01-36.pdf).

## Individual Taxpayer Identification Number (ITIN)

Form W-9 (or an acceptable substitute) is used by persons required to file information returns with the IRS to get the payee's (or other person's) correct name and TIN. For individuals, the TIN is generally a social security number (SSN).

However, in some cases, individuals who become U.S. resident aliens for tax purposes are not eligible to obtain an SSN. This includes certain resident aliens who must receive information returns but who cannot obtain an SSN.

These individuals must apply for an ITIN on Form W-7, Application for IRS Individual Taxpayer Identification Number, unless they have an application pending for an SSN. Individuals who have an ITIN must provide it on Form W-9.

## Substitute Form W-9

You may develop and use your own Form W-9 (a substitute Form W-9) if its content is substantially similar to the official IRS Form W-9 and it satisfies certain certification requirements.

You may incorporate a substitute Form W-9 into other business forms you customarily use, such as account signature cards. However, the certifications on the substitute Form W-9 must clearly state (as shown on the official Form W-9) that under penalties of perjury:

1. The payee's TIN is correct,
2. The payee is not subject to backup withholding due to failure to report interest and dividend income,
3. The payee is a U.S. person, and
4. The FATCA code entered on this form (if any) indicating that the payee is exempt from FATCA reporting is correct.

You may provide certification instructions on a substitute Form W-9 in a manner similar to the official form. If you are not collecting a FATCA exemption code by omitting that field from the substitute Form W-9 (see *Payees and Account Holders Exempt From FATCA Reporting*, later), you may notify the payee that item 4 does not apply.

You may not:

1. Use a substitute Form W-9 that requires the payee, by signing, to agree to provisions unrelated to the required certifications, or
2. Imply that a payee may be subject to backup withholding unless the payee agrees to provisions on the substitute form that are unrelated to the required certifications.



A substitute Form W-9 that contains a separate signature line just for the certifications satisfies the requirement that the certifications be clearly stated.

If a single signature line is used for the required certifications and other provisions, the certifications must be highlighted, boxed, printed in bold-face type, or presented in some other manner that causes the language to stand out from all other information contained on the substitute form. Additionally, the following statement must be presented to stand out in the same manner as described above and must appear immediately above the single signature line:

"The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup withholding."

If you use a substitute form, you are required to provide the Form W-9 instructions to the payee only if he or she requests them. However, if the IRS has notified the payee that backup withholding applies, then you must instruct the payee to strike out the language in the certification that relates to underreporting. This instruction can be given orally or in writing. See item 2 of the *Certification* on Form W-9. You can replace "defined below" with "defined in the instructions" in item 3 of the *Certification* on Form W-9 when the instructions will not be provided to the payee except upon request. For more information, see Rev. Proc. 83-89, 1983-2 C.B. 613; amplified by Rev. Proc. 96-26, which is on page 22 of Internal Revenue Bulletin 1996-8 at [www.irs.gov/pub/irs-irbs/irb96-08.pdf](http://www.irs.gov/pub/irs-irbs/irb96-08.pdf).

## TIN Applied for

For interest and dividend payments and certain payments with respect to readily tradable instruments, the payee may return a properly completed, signed Form W-9 to you with "Applied For" written in Part I. This is an "awaiting-TIN" certificate. The payee has 60 calendar days, from the date you receive this certificate, to provide a TIN. If you do not receive the payee's TIN at that time, you must begin backup withholding on payments.

**Reserve rule.** You must backup withhold on any reportable payments made during the 60-day period if a payee withdraws more than \$500 at one time, unless the payee reserves an amount equal to the current year's backup withholding rate on all reportable payments made to the account.

**Alternative rule.** You may also elect to backup withhold during this 60-day period, after a 7-day grace period, under one of the two alternative rules discussed below.

**Option 1.** Backup withhold on any reportable payments if the payee makes a withdrawal from the account after the close of 7 business days after you receive the awaiting-TIN certificate. Treat as reportable payments all cash withdrawals in an amount up to the reportable payments made from the day after you receive the awaiting-TIN certificate to the day of withdrawal.

**Option 2.** Backup withhold on any reportable payments made to the payee's account, regardless of whether the payee makes any withdrawals, beginning no later than 7 business days after you receive the awaiting-TIN certificate.



The 60-day exemption from backup withholding does not apply to any payment other than interest, dividends, and certain payments relating to readily tradable instruments. Any other reportable payment, such as nonemployee compensation, is subject to backup

withholding immediately, even if the payee has applied for and is awaiting a TIN.

Even if the payee gives you an awaiting-TIN certificate, you must backup withhold on reportable interest and dividend payments if the payee does not certify, under penalties of perjury, that the payee is not subject to backup withholding.

If you do not collect backup withholding from affected payees as required, you may become liable for any uncollected amount.

## Payees Exempt From Backup Withholding

The following payees are exempt from backup withholding with respect to the payments below, and should enter the corresponding exempt payee code on Form W-9. If a payee is not exempt, you are required to backup withhold on reportable payments if the payee does not provide a TIN in the manner required or sign the certification, if required.

1. An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2);
2. The United States or any of its agencies or instrumentalities;
3. A state, the District of Columbia, a U.S. commonwealth or possession, or any of their political subdivisions, agencies, or instrumentalities;
4. A foreign government or any of its political subdivisions, agencies, or instrumentalities; or
5. A corporation;
6. A dealer in securities or commodities required to register in the United States, the District of Columbia, or a U.S. commonwealth or possession;
7. A futures commission merchant registered with the Commodity Futures Trading Commission;
8. A real estate investment trust;
9. An entity registered at all times during the tax year under the Investment Company Act of 1940;
10. A common trust fund operated by a bank under section 584(a);
11. A financial institution;
12. A middleman known in the investment community as a nominee or custodian; or
13. A trust exempt from tax under section 664 or described in section 4947.

The following types of payments are exempt from backup withholding as indicated for payees listed in 1 through 13, above.

**Interest and dividend payments.** All listed payees are exempt except the payee in item 7.

**Broker transactions.** All payees listed in items 1 through 4 and 6 through 11 are exempt. Also, C corporations are exempt. A person registered under the Investment Advisers Act of 1940 who regularly acts as a broker is also exempt.

**Barter exchange transactions and patronage dividends.** Only payees listed in items 1 through 4 are exempt.

**Payments reportable under sections 6041 and 6041A.** Payees listed in items 1 through 5 are generally exempt.

However, the following payments made to a corporation and reportable on Form 1099-MISC, Miscellaneous Income, are not exempt from backup withholding.

- Medical and health care payments.
- Attorneys' fees (also gross proceeds paid to an attorney, reportable under section 6045(f)).
- Payments for services paid by a federal executive agency. (See Rev. Rul. 2003-66, which is on page 1115 of Internal Revenue Bulletin 2003-26 at [www.irs.gov/pub/irs-irbs/irb03-26.pdf](http://www.irs.gov/pub/irs-irbs/irb03-26.pdf).)

**Payments made in settlement of payment card or third party network transactions.** Only payees listed in items 1 through 4 are exempt.

## Payments Exempt From Backup Withholding

Payments that are not subject to information reporting also are not subject to backup withholding. For details, see sections 6041, 6041A, 6042, 6044, 6045, 6049, 6050A, 6050N, and 6050W and their regulations. The following payments are generally exempt from backup withholding.

### Dividends and patronage dividends

- Payments to nonresident aliens subject to withholding under section 1441.
- Payments to partnerships not engaged in a trade or business in the United States and that have at least one nonresident alien partner.
- Payments of patronage dividends not paid in money.
- Payments made by certain foreign organizations.
- Section 404(k) distributions made by an ESOP.

### Interest payments

- Payments of interest on obligations issued by individuals. However, if you pay \$600 or more of interest in the course of your trade or business to a payee, you must report the payment. Backup withholding applies to the reportable payment if the payee has not provided a TIN or has provided an incorrect TIN.
- Payments described in section 6049(b)(5) to nonresident aliens.
- Payments on tax-free covenant bonds under section 1451.
- Payments made by certain foreign organizations.
- Mortgage or student loan interest paid to you.

### Other types of payment

- Wages.
- Distributions from a pension, annuity, profit-sharing or stock bonus plan, any IRA, an owner-employee plan, or other deferred compensation plan.
- Distributions from a medical or health savings account and long-term care benefits.
- Certain surrenders of life insurance contracts.
- Distribution from qualified tuition programs or Coverdell ESAs.
- Gambling winnings if regular gambling winnings withholding is required under section 3402(q). However, if regular gambling winnings withholding is not required under section 3402(q), backup withholding applies if the payee fails to furnish a TIN.
- Real estate transactions reportable under section 6045(e).
- Cancelled debts reportable under section 6050P.



- Fish purchases for cash reportable under section 6050R.

## Payees and Account Holders Exempt From FATCA Reporting

Reporting under chapter 4 (FATCA) with respect to U.S. persons generally applies only to foreign financial institutions (FFI) (including a branch of a U.S. financial institution that is treated as an FFI under an applicable intergovernmental agreement (IGA)). Thus, for example, a U.S. financial institution maintaining an account in the United States does not need to collect an exemption code for FATCA reporting. If you are providing a Form W-9, you may pre-populate the FATCA exemption code with "Not Applicable," "N/A," or a similar indication that an exemption from FATCA reporting does not apply. Any payee that provides such a form, however, cannot be treated as exempt from FATCA reporting. For details on the FATCA reporting requirements, including specific information regarding which financial institutions are required to report, see sections 1471 to 1474 and related regulations. See Regulations section 1.1471-3(d) (2) for when an FFI may rely on documentary evidence to treat a U.S. person as other than a specified U.S. person and see Regulations section 1.1471-3(f)(3) for when an FFI may presume a U.S. person as other than a specified U.S. person.

If you receive a Form W-9 with a FATCA exemption code and you know or have reason to know the person is a specified U.S. person, you may not rely on the Form W-9 to treat the person as exempt from FATCA reporting. However, you may still rely on an otherwise completed Form W-9 to treat a person as a specified U.S. person. An exemption from FATCA reporting (or lack thereof) does not affect backup withholding as described earlier in these instructions. The following are not specified U.S. persons and are thus exempt from FATCA reporting:

- A. An organization exempt from tax under section 501(a), or any individual retirement plan as defined in section 7701(a)(37);
- B. The United States or any of its agencies or instrumentalities;
- C. A state, the District of Columbia, a U.S. commonwealth or possession, or any of their political subdivisions, agencies, or instrumentalities;
- D. A corporation the stock of which is regularly traded on one or more established securities markets, as described in Reg. section 1.1472-1(c)(1)(i);
- E. A corporation that is a member of the same expanded affiliated group as a corporation described in Reg. section 1.1472-1(c)(1)(i);
- F. A dealer in securities, commodities, or derivative financial instruments (including notional principal contracts, futures, forwards, and options) that is registered as such under the laws of the United States or any State;
- G. A real estate investment trust;
- H. A regulated investment company as defined in section 851 or an entity registered at all times during the tax year under the Investment Company Act of 1940;
  - I. A common trust fund as defined in section 584(a);
  - J. A bank as defined in section 581;

K. A broker;

L. A trust exempt from tax under section 664 or described in section 4947; or

M. A tax-exempt trust under a section 403(b) plan or section 457(g) plan.

## Joint Foreign Payees

If the first payee listed on an account gives you a Form W-8 or a similar statement signed under penalties of perjury, backup withholding applies unless:

1. Every joint payee provides the statement regarding foreign status, or
2. Any one of the joint payees who has not established foreign status gives you a TIN.

If any one of the joint payees who has not established foreign status gives you a TIN, use that number for purposes of backup withholding and information reporting.

For more information on foreign payees, see the Instructions for the Requester of Forms W-8BEN, W-8ECI, W-8EXP, and W-8IMY.

## Names and TINs To Use for Information Reporting

Show the full name and address as provided on Form W-9 on the information return filed with the IRS and on the copy furnished to the payee. If you made payments to more than one payee or the account is in more than one name, enter on the first name line of the information return only the name of the payee whose TIN is shown on Form W-9. You may show the names of any other individual payees in the area below the first name line on the information return. Forms W-9 showing an ITIN must have the name exactly as shown on line 1a of the Form W-7 application.



*For more information on the names and TINs to use for information reporting, see section J of the General Instructions for Certain Information Returns.*

## Notices From the IRS

The IRS will send you a notice if the payee's name and TIN on the information return you filed do not match the IRS's records. (See *Taxpayer Identification Number (TIN) Matching*.) You may have to send a "B" notice to the payee to solicit another TIN. Pub. 1281, Backup Withholding for Missing and Incorrect Name/TIN(s), contains copies of the two types of "B" notices.

## Taxpayer Identification Number (TIN) Matching

TIN Matching allows a payer or authorized agent who is required to file Forms 1099-B, DIV, INT, K, MISC, OID, and/or PATR to match TIN and name combinations with IRS records before submitting the forms to the IRS. TIN Matching is one of the e-services products that is offered and is accessible through the IRS website. Go to IRS.gov and enter e-services in the search box. It is anticipated that payers who validate the TIN and name combinations before filing information returns will receive fewer backup withholding (CP2100) notices and penalty notices.

## Additional Information

For more information on backup withholding, see Pub. 1281.



[ NODAK LOGO ]

***QUESTIONS AND  
ANSWERS  
ABOUT OUR CONVERSION  
AND STOCK OFFERING***

***This pamphlet answers questions about the mutual to stock conversion of Nodak Mutual Insurance Company and the related common stock offering of NI Holdings, Inc.***

### **ABOUT THE PLAN OF CONVERSION**

The board of directors of Nodak Mutual Insurance Company (“Nodak Mutual”) adopted a Plan of Mutual Property and Casualty Insurance Company Conversion and Minority Offering on January 21, 2016 (the “Plan of Conversion”), whereby Nodak Mutual will convert from a mutual insurance company to a stock insurance company and change its name to Nodak Insurance Company. In connection with the conversion, NI Holdings, Inc. (“NI Holdings”), a corporation newly formed by Nodak Mutual, is conducting an initial public offering of up to 10,350,000 shares of common stock at a purchase price of \$10.00 per share. Such shares will constitute 45% of the outstanding shares of NI Holdings following completion of the conversion and the stock offering. Immediately following the conversion, all of the outstanding shares of common stock of Nodak Insurance Company will be issued to Nodak Mutual Group, a newly formed mutual holding company, which will then contribute such shares to NI Holdings in exchange for 55% of the outstanding shares of common stock of NI Holdings. Nodak Insurance Company will then become a wholly owned stock subsidiary of NI Holdings. As a result of the conversion, policyholders of Nodak Mutual Insurance Company will become members of Nodak Mutual Group, but they will no longer be members of Nodak Insurance Company.

**There will be no change in the rights of policyholders to insurance coverage under their existing policies of insurance with Nodak Mutual as a result of the conversion**

The Plan of Conversion has been approved by the North Dakota Insurance Department, subject to approval of the Plan of Conversion by the members of Nodak Mutual. **In order to complete the conversion, it is necessary for the Plan of Conversion to receive the affirmative vote of at least two-thirds of the votes cast by the voting members of Nodak Mutual, so YOUR VOTE IS VERY IMPORTANT.** Please return your proxy in the enclosed [COLOR] postage-paid envelope marked “PROXY RETURN.”

**THE BOARD OF DIRECTORS OF NODAK MUTUAL URGES MEMBERS TO VOTE “FOR” THE PLAN OF CONVERSION. PLEASE PROMPTLY VOTE, SIGN AND MAIL YOUR PROXY CARD(S).**

### **MUTUAL TO STOCK CONVERSION**

**Q: Why is Nodak Mutual converting from mutual to stock form?**

**A:** Nodak Mutual’s conversion from mutual to stock form and the related stock offering will provide NI Holdings with additional capital that will enable it to take advantage of anticipated future growth opportunities. The additional capital raised will also provide opportunities to expand the organization’s geographical footprint.

**Q: Will the conversion affect my coverage with Nodak Mutual?**

**A:** No. The insurance coverage under any Nodak Mutual policy that you own will not be affected by the conversion.

**Q: Will any policy that I hold with Nodak Mutual be converted to stock?**

**A:** No. All policies will remain as they were prior to the conversion. Eligible members of Nodak Mutual have a right to purchase shares of common stock of NI Holdings during the subscription offering. Eligible members of Nodak Mutual consist of named insureds under issued and in force Nodak Mutual policies as of the close of business on January 21, 2016. These rights to purchase stock can only be transferred to a limited extent, as described in the Prospectus sent to every eligible member.

#### **ABOUT VOTING RIGHTS**

**Q: Who is eligible to vote on the conversion?**

**A:** The members of Nodak Mutual of record as of \_\_\_\_\_, 2016 (the "Record Date") are eligible to vote on the conversion.

**Q: Am I required to vote?**

**A:** No. The Record Date members of Nodak Mutual are not required to vote. However, because the conversion will produce a fundamental change in Nodak Mutual's corporate structure and the rights of the members of Nodak Mutual, the board of directors of Nodak Mutual encourages all members to vote.

**Q: How can I vote?**

**A:** You may vote by mailing your signed proxy card(s) in the [COLOR] postage-paid envelope marked "PROXY RETURN." You may also vote by using the Internet at [http://www.\\_\\_\\_\\_\\_](http://www._____). Should you choose to attend the special meeting of members or you decide to change your vote, you may do so by revoking any previously signed proxy.

**Q: Why did I receive more than one proxy card?**

**A:** Each named insured is entitled to one vote as a member of Nodak Mutual. If you have more than one policy, you may have received more than one proxy card depending upon who is named as an insured on your policy. **PLEASE VOTE, SIGN AND RETURN ALL PROXY CARDS THAT YOU RECEIVED.**

**Q: Does my vote for the Plan of Conversion require me to buy common stock of NI Holdings, Inc.?**

**A:** No. Voting for the Plan of Conversion does not obligate you to buy shares of common stock of NI Holdings. You can also vote against the Plan of Conversion and still elect to buy shares of NI Holdings common stock in the offering. However, if a quorum is not obtained for the special meeting of members or if sufficient votes in favor of approving the Plan of Conversion are not cast at the special meeting, the conversion will not occur and Nodak Mutual will not redeem any of the subscription rights granted to the eligible members.

## **REDEMPTION OF SUBSCRIPTION RIGHTS FOR CASH**

**Q: How many subscription rights did each member receive and how was the number of subscription rights determined?**

**A:** Each eligible member of Nodak Mutual was granted 322 subscription rights. The number of subscription rights granted to each eligible member was determined by dividing 9,000,000 shares (the midpoint of the offering) by 27,915, which is the number of eligible members.

**Q: If I elect to have my subscription rights redeemed, how much cash will I receive and when will it be paid?**

**A:** Each eligible member who elects to have his or her subscription rights redeemed will receive \$215.74 in cash for his or her subscription rights. This payment will only occur if the required number of “yes” votes are received. The redemption price for subscription rights will be paid promptly after the conversion and the offering are completed and will only be paid if the conversion and the offering are completed.

**Q: What do I have to do to have my subscription rights redeemed?**

**A:** There are two ways you can have your subscription rights redeemed. You can return a signed and completed Stock Order Form in which you to have your subscription rights redeemed. If you do nothing and do not subscribe to purchase shares your subscription rights will also be redeemed.

**Q: Can I transfer some of my subscription rights and have my remaining subscription rights redeemed?**

**A:** No. If you transfer any of your subscription rights none of your subscription rights will be redeemed.

**Q: How was the value of the subscription rights determined?**

**A:** The North Dakota law governing the conversion of property and casualty mutual insurance companies like Nodak Mutual from mutual to stock form includes the method of valuing the subscription rights granted to eligible member for the purpose of redeeming such rights. Nodak Mutual engaged Feldman Financial Advisors, Inc. (“Feldman Financial”) to determine the value of the subscription rights. Using the methodology contained in the North Dakota law, Feldman Financial determined that each subscription right had a value of \$0.67.

## **ABOUT THE STOCK OFFERING AND PURCHASING SHARES**

**Investment in our common stock involves certain risks. For a discussion of certain of such risks and other factors, you are urged to read the accompanying Prospectus.**

**Q: How many shares are being offered and at what price?**

**A:** In the stock offering, NI Holdings is offering up to 10,350,000 shares of common stock for sale at \$10.00 per share. All shares will be sold at the same price, and no sales commission will be charged to purchasers in the stock offering.

**Q: Who is eligible to purchase stock in the Offering?**

**A:** Pursuant to the Plan of Conversion, the right to purchase shares of common stock at \$10.00 per share in a subscription offering has been granted in the following order of priority:

Priority #1 – Eligible members of Nodak Mutual, who consist of named insureds under an issued and in force Nodak Mutual policy as of the close of business on January 21, 2016;

Priority #2 – the newly formed Employee Stock Ownership Plan of Nodak Mutual (the “ESOP”); and

Priority #3 – Directors, officers and employees of Nodak Mutual who are not eligible members.

Common stock that is not sold in the subscription offering is expected to be offered to members of the public in a community offering at \$10.00 per share. Unlike the subscription offering, there are no rights to purchase common stock in the community offering. We have the right to accept or reject any order received in the community offering. However, preference may be given to the following before orders are accepted from the general public:

- licensed insurance producers appointed by Nodak Mutual;
- members of the North Dakota Farm Bureau that are not policyholders;
- employees of Tri-State Ltd.;
- residents of North Dakota;
- licensed agents appointed by American West, Battle Creek and Primero; and
- residents of South Dakota, Minnesota, Nebraska, Nevada and Arizona.

In the event that orders are received for more shares than are available for sale in the stock offering, shares will be allocated as described in the Prospectus.

To the extent any shares remain available after orders have been received and accepted in the subscription offering and community offering, we may elect to offer such shares to the general public in a syndicated offering using a syndicate of registered broker/dealers managed by Griffin Financial Group, LLC.

**Q: How can I buy shares during the Offering?**

**A:** Shares may be purchased by completing a Stock Order Form and returning it, with full payment, so that it is received (not postmarked) by 12:00 noon, Central Time, on \_\_\_\_\_, 2016, unless the offering is extended as described in the Prospectus. Delivery of a Stock Order Form may be made in one of the following ways: (1) by mail, using the Order Reply Envelope provided, (2) by overnight delivery to the Stock Information Center address noted on the Stock Order Form, or (3) by hand-delivery to the Stock Information Center.

**Q: How many shares of common stock can I purchase?**

**A:** The minimum purchase is 25 shares (\$250). The maximum allowable purchase for any person or entity, together with associates, affiliates or persons acting in concert with such person or entity, is 517,500 shares (\$5,175,000), which represents 5% of the maximum number of shares of common stock to be sold in the offering. Please review the section in the prospectus entitled “The Offering – Limitations on Purchases of Common Stock” for more information regarding purchase limitations.

**Q: How can I pay for the shares?**

**A:** Payment for shares can be remitted by personal check, bank check or money order in U.S. dollars, payable to “Christiana Trust on behalf of NI Holdings, Inc.” These will be cashed upon receipt. Cash, wire transfers and third party checks will not be accepted.

**Q: What is the deadline for purchasing shares in the Subscription and Community Offerings?**

**A:** An executed Stock Order Form, with full payment, must be **received** by us, using an accepted method of delivery as described above, by no later than 12:00 noon, Central Time, on \_\_\_\_\_, 2016, unless the offering is extended as described in the Prospectus.

**Q: Is it possible that I will not receive any or all of the shares I ordered?**

**A:** Yes. If we receive orders in the offering for more shares than we have available to sell, we will allocate shares as described in the Prospectus. If we are unable to fill your order, in whole or in part, you will receive a refund check.

**Q: Will payments for common stock earn interest?**

**A:** No. Payments that you submit will not earn interest.

**Q: May I change my mind after I place an order to subscribe for stock?**

**A:** No. After receipt, your order cannot be modified or withdrawn unless the offering is extended beyond \_\_\_\_\_, 2016, or the offering range is amended to below 7,650,000 shares or above 10,350,000 shares.



**Q: I am eligible to subscribe for shares of common stock in the Subscription Offering, but I am not interested in purchasing any shares. May I allow someone else to use my Stock Order Form to take advantage of my Subscription Offering priority?**

**A: You can transfer all, but not less than all, of your subscription rights only as follows, and any other attempted transfer will be void and not recognized:**

- (i) to your spouse or children;
- (ii) to a trust or other estate or wealth planning entity established for the benefit of you or your spouse or children;
- (iii) your individual or joint individual retirement account (an IRA) or other tax qualified retirement plan; or
- (iv) to NI Holdings in connection with the redemption of such subscription rights. See “Redemption of Subscription Rights for Cash” above.

*If you transfer your subscription rights to one of the persons listed above, your subscription rights will not be redeemed for cash.*

On occasion, people attempt to persuade eligible members to transfer subscription rights, or to purchase shares in the offering based on an understanding that the shares will be subsequently transferred to others. Participation in such schemes is against the law and may subject involved parties to prosecution. If you become aware of any such activities, we ask that you notify us promptly so that we can take the necessary steps to protect subscription rights.

**Q: Will my common stock be insured?**

**A:** No. Like all stock, the common stock cannot be insured or guaranteed by any government agency, nor will it be insured or guaranteed by NI Holdings.

**Q: Will dividends be paid on the stock?**

**A:** Following the conversion and the offering, we intend to adopt a policy of paying regular cash dividends, but we have not yet determined the amount that may be paid or when the payment of dividends may begin. Our dividend policy will depend upon our financial condition, results of operations and future prospects, as well as that of our subsidiaries.

**Q: How will NI Holdings shares trade?**

**A:** Upon completion of the offering, NI Holdings expects the stock to be traded on the NASDAQ Capital Market under the symbol “NODK.” Once the shares have begun trading, you may contact a firm offering investment services in order to buy or sell NI Holdings shares in the future. Upon completion of the offering, a statement setting forth the number of NI Holdings shares owned will be mailed to purchasers in the stock offering. Shareholders may not be able to sell their shares of common stock until such statement is delivered to them, even though the common stock will have begun trading. Shares will be issued in book entry form only, and you will not receive a stock certificate representing the shares you purchase in the offering.

**Q: Are officers and directors planning to purchase stock?**

**A:** Yes. Our executive officers and directors, together with their affiliates and associates, plan to purchase approximately \_\_\_\_\_ shares of common stock in the offering.

**WHERE TO GET MORE INFORMATION**

**Q: How can I get more information?**

**A:** A Stock Information Center has been established at our offices at 1101 First Avenue North, Fargo, ND 58102. You may visit the Stock Information Center or call us, toll free, at 1 (800) \_\_\_-\_\_\_ from 10:00 a.m. to 4:00 p.m., Central Time, Monday through Friday. The Stock Information Center is not open on weekends or bank holidays.

***This brochure is neither an offer to sell nor a solicitation of an offer to buy shares of common stock. The offer is made only by means of the Prospectus.***

***The shares of common stock are not insured and are not guaranteed by NI Holdings, Inc. or by any Federal or state government or agency.***

**ESCROW AGREEMENT**

**THIS ESCROW AGREEMENT** (this “Escrow Agreement”), dated as of October \_\_, 2016, is entered into by and among NI Holdings, Inc., a North Dakota corporation (the “Company”), Nodak Mutual Insurance Company, a North Dakota mutual insurance company (“Nodak Mutual”), Griffin Financial Group LLC (the “Placement Agent”) and Christiana Trust, a division of Wilmington Savings Fund Society, FSB, (“WSFS Bank”) as escrow agent (the “Escrow Agent”).

**WHEREAS**, the Company has filed a registration statement on Form S-1 (the “Registration Statement”) with the United States Securities and Exchange Commission (the “Commission”) in connection with a public offering (the “Offering”) of up to 10,350,000 shares of the Company’s common stock, \$0.01 par value (the “Common Stock”). The Offering is being conducted in connection with the conversion of Nodak Mutual from mutual to stock form (the “Conversion”).

Nodak Mutual has entered into an engagement letter dated December 9, 2015 with the Placement Agent pursuant to which the Placement Agent will assist the Company in connection with the Offering and, if necessary, will form a syndicate of registered broker-dealers to sell any shares not sold in the subscription and community offering phases of the Offering.

**WHEREAS**, the Company and the Placement Agent desire to deposit funds received from persons who submit stock order forms in the Offering (the “Investors”) with the Escrow Agent, to be held for the benefit of the Investors and the Company until such time as the minimum aggregate purchase price of \$ \_\_\_\_\_ (the “Minimum Aggregate Purchase Price”) for the shares of Common Stock sold to Investors (the “Shares”) has been deposited into escrow in accordance with the terms of this Escrow Agreement.

**WHEREAS**, the Escrow Agent is willing to accept appointment as escrow agent upon the terms and conditions set forth herein.

**NOW, THEREFORE**, in consideration of the premises set forth above and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

**1. Escrow of Investor Funds.**

(a) On or before the commencement of the Offering, the Company shall establish an escrow account with the Escrow Agent (the “Escrow Account”). All funds received from Investors in payment for the Shares (“Investor Funds”) will be delivered to the Escrow Agent within one (1) business day following the day upon which such Investor Funds are received by the Company or the Placement Agent, and shall, upon receipt of good and collected funds by the Escrow Agent, be retained in the Escrow Account by the Escrow Agent and invested as stated below. During the term of this Escrow Agreement, the Company and the Placement Agent shall instruct Investors to make all checks payable to the order of “Christiana Trust, on behalf of NI Holdings, Inc.” and shall cause all checks received by each of them in payment for the Shares to be endorsed in favor of the Escrow Agent and delivered to the Escrow Agent for deposit in the Escrow Account. Investor Funds also may be wired directly to the Escrow Account using wire instructions provided by the Escrow Agent.

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(b) Escrow Agent shall have no duty to make any disbursement, investment or other use of Investor Funds until and unless it has good and collected funds. In the event that any checks deposited in the Escrow Account are returned or prove uncollectible, the Escrow Agent shall promptly notify the Company and Computershare, Inc., as Subscription Agent for the Offering (the "Subscription Agent"), and the Escrow Agent shall deliver the returned checks to the Subscription Agent. The Escrow Agent shall be under no duty or responsibility to enforce collection of any check delivered to it hereunder. The Escrow Agent reserves the right to deny, suspend or terminate participation by an Investor to the extent the Escrow Agent deems it advisable or necessary to comply with applicable laws or to eliminate practices that are not consistent with the purposes of the Offering.

2. **Identity of Investors.** A copy of the Stock Order Form relating to the sale of the Shares is attached as **Exhibit A-1** to this Escrow Agreement. The Company, the Subscription Agent, or the Placement Agent shall furnish to the Escrow Agent with each delivery of Investor Funds, a list of the Investors who have paid for the Shares showing the name, address, tax identification number, amount of Shares subscribed for and the amount paid and deposited with the Escrow Agent. This information comprising the identity of Investors shall be provided to the Escrow Agent in the format set forth on **Exhibit B** to this Escrow Agreement (the "List of Investors"). All Investor Funds so deposited shall not be subject to any liens or charges by the Company, the Placement Agent or the Escrow Agent, or judgments or creditors' claims against the Company, until released to the Company as hereinafter provided. The Company understands and agrees that the Company shall not be entitled to any Investor Funds on deposit in the Escrow Account and no such funds shall become the property of the Company except when released to the Company pursuant to Section 3 of this Escrow Agreement. The Company, the Placement Agent and the Escrow Agent will treat all Investor information as confidential. The Escrow Agent shall not be required to accept any Investor Funds which are not accompanied by the information on the List of Investors.

3. **Disbursement of Funds.**

(a) In the event the Escrow Agent receives written notice from the Company or the Placement Agent that the Company or Placement Agent has rejected an Investor's subscription, the Escrow Agent shall pay to the applicable Investor, within ten (10) business days after receiving notice of the rejection, by first class United States Mail at the address appearing on the List of Investors, or at such other address or fed wire instructions as are furnished to the Escrow Agent by the Investor in writing, all collected sums paid by the Investor for Shares and received by the Escrow Agent, without interest.

(b) Once the Escrow Agent is in receipt of good and collected Investor Funds totaling the Minimum Aggregate Purchase Price, the Escrow Agent shall notify the Company and Placement Agent of the same in writing. If the Minimum Aggregate Purchase Price is received into the Escrow Account at any time before the Termination Date (as defined in Section 4 of this Escrow Agreement), then the Escrow Agent shall pay out the Investor Funds and all earnings thereon when and as directed in writing by the Company and the Placement Agent.

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(c) If the Minimum Aggregate Purchase Price has not been received by the Escrow Agent before the Termination Date, the Escrow Agent shall, within ten (10) business days after the Termination Date, refund to each Investor by first class United States Mail at the address appearing on the List of Investors, or at such other address or fed wire instructions as are furnished to the Escrow Agent by the Investor in writing, all sums paid by the Investor for Shares and received by the Escrow Agent, without interest, and shall then notify the Company and Placement Agent in writing of such refunds.

4. **Term of Escrow.** The "Termination Date" shall be \_\_\_\_\_, 201\_; *provided, however,* that in all events this Escrow Agreement shall terminate not later than (i) such time as the Escrow Agent has disbursed the Investor Funds pursuant to the terms of this Escrow Agreement, (ii) the date the Escrow Agent receives written notice from the Company or the Placement Agent that the Company is abandoning the sale of the Shares, (iii) the date the Escrow Agent receives notice from the Commission that a stop or similar order has been issued with respect to the Offering, or (iv) the date the Escrow Agent institutes an interpleader or similar action. After the Termination Date, the Company and the Placement Agent shall not deposit, and the Escrow Agent shall not accept, any additional amounts representing payments by prospective Investors.

5. **Duty and Limitation on Liability of the Escrow Agent.**

(a) The Escrow Agent's rights and responsibilities shall be governed solely by this Escrow Agreement. Neither the Prospectus nor any other agreement or document shall govern the Escrow Agent, even if such other agreement or document is referred to herein, is deposited with, or is otherwise known to, the Escrow Agent.

(b) The Escrow Agent shall be under no duty to determine whether the Company or the Placement Agent is complying with the requirements of the Offering or applicable securities or other laws in tendering the Investor Funds to the Escrow Agent. The Escrow Agent shall not be responsible for, or be required to enforce, any of the terms or conditions of any Offering document or other agreement between the Company or the Placement Agent and any other party.

(c) The Escrow Agent may conclusively rely upon and shall be fully protected in acting upon any statement, certificate, notice, request, consent, order or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Escrow Agent shall have no duty or liability to verify any such statement, certificate, notice, request, consent, order or other document. Upon or before the execution of this Escrow Agreement, the Company and the Placement Agent shall deliver to the Escrow Agent authorized signers' lists in the form of **Exhibit C-1** and **Exhibit C-2** to this Escrow Agreement.

(d) The Escrow Agent shall be under no obligation to institute and/or defend any action, suit or proceeding in connection with this Escrow Agreement unless first indemnified to its satisfaction.

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(e) The Escrow Agent may consult counsel of its own choice with respect to any question arising under this Escrow Agreement and the Escrow Agent shall not be liable for any action taken or omitted in good faith upon the advice of such counsel.

(f) The Escrow Agent shall not be liable for any action taken or omitted by it except to the extent that a court of competent jurisdiction determines that the Escrow Agent's gross negligence or willful misconduct was the primary cause of loss.

(g) The Escrow Agent is acting solely as escrow agent hereunder and owes no duties, covenants or obligations, fiduciary or otherwise, to any person by reason of this Escrow Agreement, except as otherwise explicitly set forth in this Escrow Agreement, and no implied duties, covenants or obligations, fiduciary or otherwise, shall be read into this Escrow Agreement against the Escrow Agent.

(h) In the event of any disagreement between any of the parties to this Escrow Agreement, or between any of them and any other person, including any Investor, resulting in adverse or conflicting claims or demands being made in connection with the matters covered by this Escrow Agreement, or in the event that the Escrow Agent is in doubt as to what action it should take hereunder, the Escrow Agent may, at its option, refuse to comply with any claims or demands on it, or refuse to take any other action hereunder, so long as such disagreement continues or such doubt exists, and in any such event, the Escrow Agent shall not be or become liable in any way or to any person for its failure or refusal to act, and the Escrow Agent shall be entitled to continue so to refrain from acting until (i) the rights of all interested parties shall have been fully and finally adjudicated by a court of competent jurisdiction, or (ii) all differences shall have been adjudged and all doubt resolved by agreement among all of the interested persons, and the Escrow Agent shall have been notified thereof in writing signed by all such persons. Notwithstanding the foregoing, the Escrow Agent may in its discretion obey the order, judgment, decree or levy of any court, whether with or without jurisdiction and the Escrow Agent is hereby authorized in its sole discretion to comply with and obey any such orders, judgments, decrees or levies.

(i) In the event that any controversy should arise with respect to this Escrow Agreement, the Escrow Agent shall have the right, at its option, to institute an interpleader action in any court of competent jurisdiction to determine the rights of the parties.

(j) IN NO EVENT SHALL THE ESCROW AGENT BE LIABLE, DIRECTLY OR INDIRECTLY, FOR ANY SPECIAL, INDIRECT OR CONSEQUENTIAL LOSSES OR DAMAGES OF ANY KIND WHATSOEVER (INCLUDING WITHOUT LIMITATION LOST PROFITS), EVEN IF THE ESCROW AGENT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSSES OR DAMAGES AND REGARDLESS OF THE FORM OF ACTION.

(k) The parties agree that the Escrow Agent had no role in the preparation of the Prospectus or other Offering documents, has not reviewed any such documents, and makes no representations or warranties with respect to the information contained therein or omitted therefrom.

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(l) The Escrow Agent shall have no obligation, duty or liability with respect to compliance with any federal or state securities, disclosure or tax laws concerning the Prospectus or other Offering documents or the issuance, offering or sale of the Shares.

(m) The Escrow Agent shall have no duty or obligation to monitor the application and use of the Investor Funds once transferred to the Company, that being the sole obligation and responsibility of the Company.

(n) The Escrow Agent shall not be responsible or liable for any failure or delay in the performance of its obligation under this Escrow Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; wars; acts of terrorism; civil or military disturbances; sabotage; epidemic; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Escrow Agent shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

6. **Escrow Agent's Fee.** The Escrow Agent shall be entitled to compensation for its services as stated in the signed fee schedule, which compensation shall be paid by Nodak Mutual. The fee agreed upon for the services rendered hereunder is intended as full compensation for the Escrow Agent's services as contemplated by this Escrow Agreement; *provided, however*, that in the event that the conditions for the disbursement of funds under this Escrow Agreement are not fulfilled, or the Escrow Agent renders any material service not contemplated in this Escrow Agreement, or there is any assignment of interest in the subject matter of this Escrow Agreement, or any material modification hereof, or if any material controversy arises hereunder, or the Escrow Agent is made a party to any litigation relating to this Escrow Agreement, or the subject matter hereof, then the Escrow Agent shall be reasonably compensated for such extraordinary services and reimbursed for all costs and expenses, including attorney's fees and expenses, occasioned by any delay, controversy, litigation or event, and the same shall be paid by Nodak Mutual. Nodak Mutual's obligations under this Section 6 shall survive the resignation or removal of the Escrow Agent and the assignment or termination of this Escrow Agreement.

7. **Investment of Investor Funds; Income Allocation and Reporting.**

(a) The Escrow Agent shall invest the Investor Funds, including any and all interest and investment income, in accordance with the written instructions provided to the Escrow Agent and signed by the Company. In the absence of written investment instructions from the Company, the Escrow Agent shall deposit and invest the Investor Funds, including any and all interest and investment income, in a WSFS Bank Money Market Deposit Account, which is further described herein on **Exhibit E**. Any interest received by the Escrow Agent with respect to the Investor Funds, including reinvested interest shall become part of the Investor Funds, and shall be disbursed pursuant to Section 3 of this Escrow Agreement. The Company agrees that, for tax reporting purposes, all interest or other taxable income earned on the Investor Funds in any tax year shall be taxable to the Company.

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(b) The Escrow Agent shall be entitled to sell or redeem any such investments as the Escrow Agent deems necessary to make any payments or distributions required under this Escrow Agreement. The Escrow Agent shall have no responsibility or liability for any loss which may result from any investment or sale of investment made pursuant to this Escrow Agreement. The parties acknowledge that the Escrow Agent is not providing investment supervision, recommendations, or advice.

(c) Upon or before the execution of this Escrow Agreement, the Company shall provide the Escrow Agent with certified tax identification numbers by furnishing appropriate IRS forms W-9 or W-8 and other forms and documents that the Escrow Agent may reasonably request. The Company understands that if such tax reporting documentation is not so certified to the Escrow Agent, the Escrow Agent may be required by the Internal Revenue Code of 1986, as amended, to withhold a portion of any interest or other income earned on the Investor Funds pursuant to this Escrow Agreement. The Company shall also provide tax reporting documentation for the Investors as the Escrow Agent may reasonably request.

(d) Nodak Mutual agrees to indemnify and hold the Escrow Agent harmless from and against any and all taxes, additions for late payment, interest, penalties and other expenses that may be assessed against the Escrow Agent on or with respect to the Investor Funds unless any such tax, addition for late payment, interest, penalties and other expenses shall be determined by a court of competent jurisdiction to have been primarily caused by the Escrow Agent's gross negligence or willful misconduct. The terms of this paragraph shall survive the assignment or termination of this Escrow Agreement and the resignation or removal of the Escrow Agent.

**8. Notices.** All notices, requests, demands, and other communications under this Escrow Agreement shall be in writing and shall be deemed to have been duly given (a) on the date of service if served personally on the party to whom notice is to be given, (b) on the day of transmission if sent by facsimile or email to the facsimile number or email address given below, with written confirmation of receipt, provided that such transmission is sent prior to 5:00 p.m. Eastern Time on a Business Day, and if sent after 5:00 p.m. Eastern Time or on a day that is not a Business Day, then such transmission will be deemed to have been given on the next Business Day, (c) on the Business Day after delivery to Federal Express or similar overnight courier or the Express Mail service maintained by the United States Postal Service, if next Business Day delivery is requested, or (d) on the fifth day after mailing, if mailed to the party to whom notice is to be given, by United States first class mail, registered or certified, postage prepaid, and properly addressed, return receipt requested, to the party as follows:

If to the Company or Nodak Mutual:

Nodak Mutual Insurance Company  
1101 First Avenue North  
Fargo, ND 58102  
Attention: Brian R. Doom

Phone: (701) 298-4200  
Email: bdoom@nodakmutual.com  
Facsimile: \_\_\_\_\_

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If to Placement Agent:

Griffin Financial Group LLC  
620 Freedom Business Center  
King of Prussia, PA  
Attention: Jeffrey P. Waldron

Phone: (610) 205-6028  
Email: [jpw@griffinfinancialgroup.com](mailto:jpw@griffinfinancialgroup.com) |  
Facsimile: (610) 371-7974

If to Escrow Agent:

Christiana Trust a Division of WSFS Bank  
501 Carr Road, Suite 100  
Wilmington, DE 19801  
Attention: Corporate Trust-Raye Goldsborough  
Tel: (302) 888-7580  
Fax: (302) 421-9137

Any party may change its address for purposes of this section by giving the other party written notice of the new address in the manner set forth above.

**9. Indemnification of Escrow Agent.** Nodak Mutual hereby indemnifies, defends and holds harmless the Escrow Agent from and against, any and all loss, liability, cost, damage and expense, including, without limitation, reasonable counsel fees and expenses, which the Escrow Agent may suffer or incur by reason of any action, claim or proceeding brought against the Escrow Agent arising out of or relating in any way to this Escrow Agreement or any transaction to which this Escrow Agreement relates unless such loss, liability, cost, damage or expense is finally determined by a court of competent jurisdiction to have been primarily caused by the gross negligence or willful misconduct of the Escrow Agent. The terms of this Section 9 shall survive the assignment or termination of this Escrow Agreement and the resignation or removal of the Escrow Agent.

**10. Resignation.** The Escrow Agent may resign upon thirty (30) days' advance written notice to the Company and the Placement Agent. If a successor escrow agent is not appointed within the thirty (30) day period following such notice, the Escrow Agent may petition any court of competent jurisdiction to name a successor escrow agent or interplead the Investor Funds with such court, whereupon the Escrow Agent's duties hereunder shall terminate.

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11. **Successors and Assigns.** Except as otherwise provided in this Escrow Agreement, no party hereto shall assign this Escrow Agreement or any rights or obligations hereunder without the prior written consent of the other parties hereto and any such attempted assignment without such prior written consent shall be void and of no force and effect. This Escrow Agreement shall inure to the benefit of and shall be binding upon the successors and permitted assigns of the parties hereto. Any corporation or association into which the Escrow Agent may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer all or substantially all of its corporate trust business and assets in whole or in part, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which the Escrow Agent is a party, shall be and become the successor escrow agent under this Escrow Agreement and shall have and succeed to the rights, powers, duties, immunities and privileges as its predecessor, without the execution or filing of any instrument or paper or the performance any further act.

12. **Governing Law; Jurisdiction.** This Escrow Agreement shall be construed, performed, and enforced in accordance with, and governed by, the internal laws of the State of Delaware, without giving effect to the principles of conflicts of laws thereof.

13. **Severability.** In the event that any part of this Escrow Agreement is declared by any court or other judicial or administrative body to be null, void, or unenforceable, said provision shall survive to the extent it is not so declared, and all of the other provisions of this Escrow Agreement shall remain in full force and effect.

14. **Amendments; Waivers.** This Escrow Agreement may be amended or modified, and any of the terms, covenants, representations, warranties, or conditions hereof may be waived, only by a written instrument executed by the parties hereto, or in the case of a waiver, by the party waiving compliance. Any waiver by any party of any condition, or of the breach of any provision, term, covenant, representation, or warranty contained in this Escrow Agreement, in any one or more instances, shall not be deemed to be nor construed as further or continuing waiver of any such condition, or of the breach of any other provision, term, covenant, representation, or warranty of this Escrow Agreement. The Company and the Placement Agent agree that any requested waiver, modification or amendment of this Escrow Agreement shall be consistent with the terms of the Offering.

15. **Entire Agreement.** This Escrow Agreement contains the entire understanding among the parties hereto with respect to the escrow contemplated hereby and supersedes and replaces all prior and contemporaneous agreements and understandings, oral or written, with regard to such escrow.

16. **Section Headings.** The section headings in this Escrow Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Escrow Agreement.

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17. **Counterparts.** This Escrow Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart. Any signature delivered by facsimile or email (including any delivery by PDF) shall bind the parties hereto with the same effect as the delivery of a manually signed signature page.

**IN WITNESS WHEREOF**, the parties hereto have caused this Escrow Agreement to be executed the day and year first set forth above.

NODAK MUTUAL INSURANCE COMPANY

By: \_\_\_\_\_  
Its: \_\_\_\_\_

NI HOLDINGS, INC.

By: \_\_\_\_\_  
Its: \_\_\_\_\_

GRIFFIN FINANCIAL GROUP LLC

By: \_\_\_\_\_  
Its: \_\_\_\_\_

WILMINGTON SAVINGS FUND SOCIETY, AS ESCROW AGENT DBA CHRISTIANA TRUST

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

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**STOCK ORDER FORM**

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**LIST OF INVESTORS**

Pursuant to the Escrow Agreement dated October \_\_, 2016 by and among NI Holdings, Inc. (the “Company”), Nodak Mutual Insurance Company (“Nodak Mutual”), Griffin Financial Group LLC (the “Placement Agent”), and Christiana Trust, a division of Wilmington Savings Fund, FSB, as escrow agent (the “Escrow Agent”), the Company and the Placement Agent hereby certify that the following Investors have paid money for the purchase of shares of common stock, par value \$0.01 per share, of the Company (the “Shares”), and the money has been deposited with the Escrow Agent:

1. Name of Investor  
Address  
Tax Identification Number  
Amount of Shares subscribed for  
Amount of money paid and deposited with Escrow Agent
  
2. Name of Investor  
Address  
Tax Identification Number  
Amount of Shares subscribed for  
Amount of money paid and deposited with Escrow Agent

Company: \_\_\_\_\_  
By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

Placement Agent: \_\_\_\_\_  
By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

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**CERTIFICATE AS TO AUTHORIZED SIGNATURES**

The specimen signatures shown below are the specimen signatures of the individuals who have been designated as authorized representatives of Griffin Financial Group LLC and are authorized to initiate and approve transactions of all types for the escrow account or accounts established under the Escrow Agreement to which this Exhibit C-1 is attached, on behalf of Griffin Financial Group LLC.

**Name / Title**

*Specimen Signature*

\_\_\_\_\_  
Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

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**CERTIFICATE AS TO AUTHORIZED SIGNATURES**

The specimen signatures shown below are the specimen signatures of the individuals who have been designated as authorized representatives of NI Holdings, Inc. and are authorized to initiate and approve transactions of all types for the escrow account or accounts established under the Escrow Agreement to which this Exhibit C-2 is attached, on behalf of NI Holdings, Inc.

**Name / Title**

*Specimen Signature*

\_\_\_\_\_  
Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Name

\_\_\_\_\_  
Signature

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Title

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Name

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Signature

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Title

\_\_\_\_\_  
Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_

**ESCROW AGENT FEES**

Separate signed fee agreement.

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Money Market election form will be attached separately, and will be inserted as exhibit once executed by authorized person

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**PROXY STATEMENT**

Your proxy, in the form enclosed, is solicited by the Board of Directors of Nodak Mutual Insurance Company (“Nodak Mutual” or the “Company”) for use at a Special Meeting of its members to be held on \_\_\_\_\_, 2016 and any adjournment of that meeting, for the purposes set forth below. Only persons owning policies issued by Nodak Mutual that were in force at the close of business on \_\_\_\_\_, 2016 are entitled to notice of and to vote at the Special Meeting. The Board of Directors urges you to sign and return your proxy even if you plan to attend the Special Meeting.

**IMPORTANT NOTICE**

The Plan of Conversion described in this Proxy Statement was approved by the North Dakota Insurance Department (the “Insurance Department”). Approval of the Plan of Conversion by the Insurance Department does not constitute or imply that the Insurance Department has endorsed the Plan of Conversion described in this Proxy Statement, nor does such approval constitute investment advice or a recommendation by the Insurance Department on how you should vote on the Plan of Conversion.

**Introduction**

A special meeting of the Voting Members (defined below) of Nodak Mutual will be held at [the Company’s offices at 1101 1st Avenue North], Fargo, North Dakota 58102 on \_\_\_\_\_, \_\_\_\_\_, 2016, at \_\_\_\_\_ .m., local time (the “Special Meeting”). The purpose of the Special Meeting is to consider and vote upon (i) a Plan of Mutual Property and Casualty Insurance Company Conversion and Minority Offering, as amended (the “Plan of Conversion”), (ii) the proposed amended and restated articles of incorporation of Nodak Mutual (a copy of which is attached hereto as Exhibit B), and (iii) the proposed reorganization whereby Nodak Mutual Group, Inc., a newly formed North Dakota nonstock corporation will become the mutual holding company for Nodak Mutual (the “Reorganization”). The Plan of Conversion has been adopted by the Company’s Board of Directors and approved by the Insurance Department, and a copy of the Plan of Conversion is attached hereto as Exhibit A. If the Plan of Conversion and the Reorganization are approved at the Special Meeting, Nodak Mutual will convert from a North Dakota mutual insurance company to a North Dakota stock insurance company (the “Conversion”) and will form a new mutual holding company pursuant to the provisions of the North Dakota Mutual Property and Casualty Company Conversion Law (the “Act”) and the North Dakota Mutual Insurance Company Reorganization Law.

“Voting Members” are the persons who were named insureds under Nodak Mutual insurance policies that were in force on \_\_\_\_\_, 2016, which is the record date for the Special Meeting established by the Board of Directors of the Company.

## Overview of the Conversion

Nodak Mutual currently exists and operates as a mutual insurance company. This means that Nodak Mutual has no shareholders. Instead, Nodak Mutual has members consisting of the policyholders who have insurance coverage with Nodak Mutual.

Under the Act, a North Dakota mutual insurance company that offers property and casualty insurance, such as Nodak Mutual, can adopt a plan to convert from a mutual insurance company to a stock insurance company. Mutual insurance companies may decide to convert into stock companies for many different reasons. Mutual insurance companies have limited access to the capital markets. By converting to stock form, a mutual insurance company gains the ability to raise capital through sales of its stock. By raising additional capital, Nodak Mutual strengthens its ability to pay claims made by its policyholders and defend and pay claims made against its policyholders. Stock insurance companies also are better able to make strategic acquisitions of other insurance companies and to enter into strategic business combinations with other insurers and insurance holding companies. In addition, stock insurance companies can use stock incentive programs to help them attract and retain key management personnel.

Nodak Mutual's Board of Directors adopted the Plan of Conversion principally because it will: (i) preserve Nodak's mutual form of organization through the formation of Nodak Mutual Group as the mutual holding company for NI Holdings (as defined below) and Nodak Insurance Company; (ii) increase the capital of Nodak Mutual and strengthen its ability to honor its contractual obligations to policyholders; (iii) provide the additional capital that will permit Nodak Mutual to grow its written premiums and perhaps expand into additional states; and (iv) enhance Nodak Mutual's ability to acquire other property and casualty insurance companies, insurance holding companies and insurance agencies.

The Company's Plan of Conversion consists of the following steps:

1. Nodak Mutual will convert to a stock company and change its name to "Nodak Insurance Company." As part of the conversion, Nodak Insurance Company will issue all of its shares of capital stock to Nodak Mutual Group. Nodak Mutual policyholders who formerly were "members" of Nodak Mutual will no longer be members of Nodak Insurance Company, but they will become members of Nodak Mutual Group and will elect the board of directors of Nodak Mutual Group. The insurance policies issued by Nodak Mutual will remain in full force and effect and become insurance policies of Nodak Insurance Company. The conversion of Nodak Mutual to a stock insurance company will not change the price, benefits, renewability or any other feature, term or condition of a policyholder's insurance coverage.
2. NI Holdings, Inc., a newly formed North Dakota stock corporation ("NI Holdings"), will issue shares of its common stock to Nodak Mutual Group in exchange for all of the outstanding shares of capital stock of Nodak Insurance Company. As a result, Nodak Insurance Company will become a wholly owned subsidiary of NI Holdings.

3. NI Holdings will offer shares of its common stock (“Conversion Stock”) for sale in a public offering described in greater detail below (hereinafter, the “Offering”). The common stock of NI Holdings will be offered for sale pursuant to a Registration Statement and Prospectus filed and effective under the Securities Act of 1933, as amended. Immediately after completion of the Offering, Nodak Mutual Group will own 55% of the outstanding common stock of NI Holdings. Therefore, Nodak Mutual Group, through its board of directors, will be able to control who is elected to the NI Holdings board of directors.
4. Policyholders of Nodak Mutual as of January 21, 2016 (the date the Plan of Conversion was adopted) will be granted rights to subscribe to purchase shares of common stock of NI Holdings in the Offering. These subscription rights provide such policyholders the opportunity to purchase shares before orders from any other purchasers may be accepted. Members of Nodak Mutual as of January 21, 2016 are referred to as “Eligible Members.” If shares remain available for sale after the subscriptions of the Eligible Members are filled, such remaining shares will be sold to other purchasers (as described in greater detail in the Prospectus of NI Holdings accompanying this Proxy Statement). The Conversion Stock will be offered for sale at \$10.00 per share. An Eligible Member who wishes to subscribe must purchase at least 25 shares of stock and may not purchase more than 5% of the total number of shares of stock sold in the Offering. Other limitations apply to the Offering, which are described in greater detail in the Prospectus. **Any Eligible Member that does not subscribe to purchase shares of stock in the offering will have such member’s subscription rights redeemed by NI Holdings for cash.** For a description of how redemption of such subscription rights will occur, see “Redemption of Subscription Rights” below.

#### **Information Relating to Voting at the Special Meeting**

In accordance with the terms of Nodak Mutual’s articles of incorporation and bylaws, the terms of the Plan of Conversion and the provisions of the Act, each Eligible Voter is entitled to notice of, and to vote at, the Special Meeting, and will be entitled at the Special Meeting to cast one vote, regardless of the number of policies of insurance held by that Eligible Voter. A person who is an “Eligible Voter” with reference to more than one policy shall have only one vote.

Approval of the Plan of Conversion will require the affirmative vote, either in person or by proxy, of at least two-thirds of the votes cast at the Special Meeting. Approval of the reorganization whereby Nodak Mutual Group becomes the mutual holding company for NI Holdings and Nodak Insurance Company will require the affirmative vote, either in person or by proxy of at least a majority of the votes cast at the Special Meeting.

Eligible Voters may vote at the Special Meeting or any adjournment thereof in person or by proxy. All properly executed proxies received by Nodak Mutual before the Special Meeting will be voted in accordance with the instructions indicated thereon. If no contrary instructions are given, such proxies will be voted in favor of (i) the Plan of Conversion, (ii) the amended and restated articles of incorporation of Nodak Mutual, and (iii) the formation of Nodak Mutual Group as the mutual holding company for NI Holdings and Nodak Insurance Company. If any other matters are properly presented before the Special Meeting, the proxies solicited hereby will be voted on such matters by the proxyholders according to their discretion. Any Eligible Voter giving a proxy will have the right to revoke his or her proxy at any time before it is voted by delivering written notice or a duly executed proxy bearing a later date to the Secretary of Nodak Mutual at any time prior to or at the Special Meeting or by attending the Special Meeting and voting in person.

The proxies solicited hereby will be used only at the Special Meeting and at any adjournment thereof. They will not be used at any other meeting.

#### **Relationship Between this Proxy Statement and the Prospectus**

A copy of the Prospectus for the offering of NI Holdings' common stock accompanies this Proxy Statement. This Proxy Statement summarizes and presents selected information from the Prospectus and may not contain all the information that might be important to an Eligible Voter in deciding whether to (i) vote for adoption and approval of the Plan of Conversion, and/or (ii) subscribe for the purchase of Conversion Stock in the Offering. To understand the Offering fully, Eligible Members should read the Prospectus carefully, including the financial statements and the notes to financial statements of Nodak Mutual that are included in the Prospectus. Eligible Members also may wish to review the Plan of Conversion. A copy of the Plan of Conversion is attached hereto as Exhibit A and is available for review and downloading on Nodak Mutual's website at <http://www.nodakmutual.com>.<sup>1</sup>

**The decisions to be made by an Eligible Voter in voting on the Plan of Conversion and in deciding whether to purchase Conversion Stock or redeem subscription rights for cash are separate. For instance, you may vote in favor of the Plan of Conversion, but decide not to purchase any Conversion Stock and instead redeem your subscription rights for cash. Or, you may vote against the Plan of Conversion, but decide to purchase Conversion Stock or redeem subscription rights for cash. Only Eligible Voters who are also Eligible Members will be granted subscription rights that can be exercised to purchase Conversion Stock or be redeemed for cash.**

**If for any reason the Plan of Conversion and the Reorganization are not approved by Eligible Voters, the Conversion will not be completed, no Conversion Stock will be sold, and no subscription rights will be redeemed.**

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<sup>1</sup> This reference to Nodak Mutual's website includes only the documents available for review under the "Nodak Mutual Plan of Conversion" tab. Any other information available on Nodak Mutual's website is not part of this Proxy Statement.

## **The Parties**

### **NI Holdings**

NI Holdings, Inc. is a North Dakota business corporation organized on May 12, 2016 by Nodak Mutual for the purpose of becoming the intermediate stock holding company of Nodak Mutual and its subsidiaries following closing on the Conversion. NI Holdings' executive offices are located at 1101 First Avenue, Fargo, North Dakota 58102. NI Holdings' Board of Directors consists of six members, three of whom currently serve as directors of Nodak Mutual.

NI Holdings will not have engaged in any operations prior to completion of the Conversion. After completion of the Conversion, NI Holdings' primary assets will be the outstanding capital stock of Nodak Insurance Company, along with the amount of the net proceeds realized from the Offering of its common stock that remains after the use of such proceeds as described in the Prospectus.

NI Holdings intends to apply to have its common stock listed for trading on the NASDAQ Stock Market.

### **Nodak Mutual**

Nodak Mutual Insurance Company is a North Dakota mutual insurance company organized in 1946. Its main offices are located at 1101 First Avenue, Fargo, North Dakota 58102, and its telephone number is (701) 298-4200. At December 31, 2015, Nodak Mutual had total consolidated assets of \$261.2 million and total equity of \$150.5 million. During 2015, Nodak Mutual had direct written premiums of \$172.8 million. Nodak Mutual offers multi-peril crop, crop hail, homeowners and farmowners, auto and other property and casualty insurance exclusively to members of the North Dakota Farm Bureau.

### **Nodak Mutual Group**

Nodak Mutual Group, Inc. is a North Dakota nonstock corporation organized on \_\_\_\_\_, 2016 by Nodak Mutual for the purpose of becoming the mutual holding company of NI Holdings and its subsidiaries following closing on the Conversion. The executive offices of Nodak Mutual Group are located at 1101 First Avenue, Fargo, North Dakota 58102. Nodak Mutual Group's Board of Directors consists of twelve members, all of whom currently serve as directors of Nodak Mutual.

Nodak Mutual Group will not have engaged in any operations prior to completion of the Conversion. After completion of the Conversion, Nodak Mutual Group's primary assets will be the outstanding capital stock of NI Holdings and its subsidiaries.

## **The Conversion**

Nodak Mutual adopted the Plan of Conversion on January 21, 2016. The Conversion involves a series of transactions by which Nodak Mutual will convert from a mutual insurance company to a stock insurance company. Following the Conversion, Nodak Mutual will become a subsidiary of NI Holdings.

As an integral part of the Conversion, NI Holdings will offer for sale in a subscription rights offering between 7,650,000 and 10,350,000 shares of NI Holdings' common stock ("Subscription Offering"). The Subscription Offering will be made in the following order of priority:

5. *First to "Eligible Members"* – "Eligible Members" are the named policyholders of Nodak Mutual who were insured under Nodak Mutual insurance policies that were in force on January 21, 2016.
6. *Next to the ESOP* – NI Holdings will form an employee stock ownership plan (the "ESOP") for the benefit of its employees. The ESOP will purchase 240,000 shares in the Offering. NI Holdings will make a loan to the ESOP to fund the purchase of such shares.
7. *Last, to Directors and Officers of Nodak Mutual* –The directors, officers and employees of Nodak Mutual.

Subscriptions will be accepted by NI Holdings under the priorities described above.

If any shares of Conversion Stock remain available for purchase after the Subscription Offering, they will be offered to the general public (the "Community Offering"). The Plan of Conversion provides that NI Holdings will give preferential treatment to orders received in the Community Offering from: people who became policyholders of Nodak Mutual after January 21, 2016; insurance producers appointed by Nodak Mutual; members of the North Dakota Farm Bureau who are not policyholders of Nodak Mutual; employees of Nodak Mutual's subsidiaries; residents of North Dakota; insurance producers appointed by Nodak Mutual's affiliates; and residents of South Dakota, Minnesota, Nebraska, Nevada and Arizona, subject, however, to the right of NI Holdings to accept or reject any order to purchase shares in the community offering in its sole and absolute discretion. NI Holdings may accept subscriptions under the Subscription Offering and orders received under the Community Offering simultaneously. Payments received on stock orders that are not accepted will be refunded (without interest).

The purchase price for the Conversion Stock will be \$10.00 per share. All purchasers will pay the same price per share in the Offering.

The Conversion will permit policyholders of Nodak Mutual, the management and employees of Nodak Mutual, and the general public to become equity owners of NI Holdings and to share in its future. The Conversion also will provide additional capital that will enhance the ability of Nodak Mutual to expand its business.

Completion of the Conversion is subject to various conditions, including approval of the Conversion by the Voting Members of Nodak Mutual, completion of the Offering, and receipt of all necessary regulatory approvals.

### **Transfers of Subscription Rights**

Eligible Members will be granted subscription rights in connection with the Conversion that will permit them to purchase shares of NI Holdings common stock in the Offering (the “subscription rights”) or redeem their subscription rights for cash. An Eligible Member may transfer all, but not less than all, of such member’s subscription rights only as follows, and any other attempted transfer will be void and not recognized:

- (i) to such member’s spouse or children;
- (ii) to a trust or other estate or wealth planning entity established for the benefit of such member or such member’s spouse or children;
- (iii) such member’s individual or joint individual retirement account (an IRA) or other tax qualified retirement plan; or
- (iv) to NI Holdings in connection with the redemption of such subscription rights. See “Redemption of Subscription Rights” below.

Each Eligible Member will receive 322 subscription rights; *provided, however*, that solely with respect to the exercise of subscription rights to purchase Conversion Stock, and not for redemption purposes, each Eligible Member will be deemed to have subscription rights to purchase up to 5% of the shares sold in the Offering.

### **Nodak Mutual’s Reasons for the Conversion**

The Board of Directors of Nodak Mutual has determined that the Conversion will enhance the Company’s strategic and financial flexibility by (i) providing additional capital that will enable NI Holdings and Nodak Mutual to pursue a business strategy of growth through strategic acquisitions and internal expansion; (ii) creating a corporate structure that will enable it to access the capital markets while maintaining its mutual structure through Nodak Mutual Group; and (iii) providing a publicly traded security that can be used as consideration in the acquisition of other property and casualty insurance companies and insurance holding companies. These factors will also assist the Company in achieving its goal of remaining an independent, effective and competitive insurance company serving its policyholders and communities. The Conversion will also permit Nodak Mutual policyholders, directors and employees, and possibly other members of the general public, to become equity owners of NI Holdings.



As a mutual insurance company, Nodak Mutual does not have shareholders, and it has no authority to issue capital stock. By converting to the capital stock form of organization, Nodak Mutual will be structured in the form used by most insurance companies and most business entities. A capital stock form of organization will provide additional flexibility to diversify Nodak Mutual's geographic market through existing or newly formed subsidiaries and through acquisitions of other insurance companies. Although there are no current arrangements, understandings or agreements regarding any such opportunities, Nodak Insurance Company and NI Holdings will be in a better position after the Conversion to take advantage of any such opportunities that may arise.

Doing business in the stock form also will enable NI Holdings to use stock-related incentive programs to attract and retain executive and other personnel.

### **Effects of the Conversion on Policyholders**

#### **In General**

Each policyholder in a mutual insurance company, such as Nodak Mutual, has certain interests in the insurance company issuing the policy, including the contractual right to insurance coverage and the right to vote when provided by the company's articles of incorporation or bylaws or as provided by law. Policyholders also may have the right to share in a liquidating distribution of the insurer's net worth if the insurer were to voluntarily dissolve and liquidate its business and properties.

A policyholder of a mutual insurance company must have an in-force insurance policy issued by that company in order to be a member of that company. Except to the extent that a membership interest is deemed to have value in connection with the conversion of an insurance company from mutual to stock form, this interest as a member has no market value because it cannot be separated from the underlying policy and, in any event, is not transferable. A policyholder whose policy is cancelled, terminated or not renewed will lose his or her interest as a member. As of the completion of the Conversion, all membership interests in Nodak Mutual, except contract rights under policies of insurance, will terminate. Instead, policyholders of Nodak Mutual will become members of Nodak Mutual Group, Inc.

If the Plan of Conversion is not approved by Nodak Mutual's Eligible Voters, or if the Conversion is not completed for any other reason, Nodak Mutual will continue to operate as a mutual insurance company. In that case, members will retain the rights described above.

#### **Continuity of Insurance Coverage and Business Operations**

Nodak Mutual's conversion to stock form will not change the insurance protection or premiums under Nodak Mutual's in-force insurance policies. During and after the Conversion, the normal business of issuing insurance policies and paying claims will continue without change or interruption. After the Conversion, Nodak Mutual (as converted) will continue to provide insurance coverage and services to its policyholders under in-force policies.

### Voting Rights

After the Conversion, the voting rights of all members of Nodak Mutual will cease. Policyholders will no longer have the right to vote on any matter involving Nodak Insurance Company. Instead they will become members of Nodak Mutual Group and will have voting rights as members of that company, including the right to elect the directors of Nodak Mutual Group. NI Holdings will own all of the outstanding shares of Nodak Insurance Company capital stock and will elect the directors of Nodak Insurance Company.

Voting rights in NI Holdings will be held by the shareholders of NI Holdings. Each holder of NI Holdings common stock will be entitled to vote on any matter to be considered by NI Holdings shareholders, subject to the terms of NI Holdings' articles of incorporation and bylaws and to the provisions of North Dakota law. Because 55% of the outstanding shares of NI Holdings common stock will be owned by Nodak Mutual Group, the board of directors of Nodak Mutual Group, which is elected by its members, will be able to control the election of directors of NI Holdings.

### Policyholder Dividends

Nodak Mutual has no in-force insurance policies that "participate" or provide for the payment of policy dividends. Therefore, the Conversion will not cause any policyholder to lose dividend rights or expectancies that may have existed in the period when Nodak Mutual operated as a mutual insurance company. Nodak Insurance Company can elect to continue to pay premium rebates with respect to certain types of insurance policies based on favorable loss experience.

### Rights Upon Dissolution After Conversion

After the Conversion, policyholders will have no right to receive a pro rata distribution of any remaining surplus of Nodak Insurance Company upon its dissolution. Instead, this right will vest in NI Holdings, as the sole shareholder of Nodak Insurance Company. In the event of a liquidation, dissolution or winding up of NI Holdings, shareholders of NI Holdings would be entitled to receive, after payment of all debts and liabilities of NI Holdings, a pro rata portion of any liquidating distribution that is made of Holdings' remaining assets.

### Determination of the Price per Share and the Number of Shares to be Offered

The Act requires that, as part of the mutual-to-stock conversion of Nodak Mutual, Eligible Members must be offered the right to purchase stock of the stock insurance company (or a holding company for the stock insurance company, in this case, NI Holdings). In such stock offering, the aggregate pro forma value of Nodak Mutual is determined by a qualified valuation expert engaged for this purpose. The value can be expressed as a valuation range. Feldman Financial Advisors, Inc. ("Feldman Financial"), which was engaged to serve as the independent valuation expert in the Conversion, prepared an appraisal report valuing Nodak Mutual (the "Appraisal Report"). In its report dated April 29, 2016, Feldman Financial estimated that the appraised value of Nodak Mutual is between \$230 million and \$170 million, with a midpoint value of \$200 million.

Under the Plan, we will offer for sale 45% of the shares of NI Holdings, based upon the underlying pro forma appraised value of Nodak Mutual. This means the offering will range between \$76,500,000 and \$103,000,000, with a midpoint offering amount of \$90,000,000.

The Conversion Stock will be sold at \$10.00 per share consistent with the typical offering price per share for many converting mutual companies.

If NI Holdings is unable to sell at least 7,650,000 shares, then unless the Offering range is revised with the approval of the Insurance Department, the Conversion and Offering must be terminated, all subscriptions and orders cancelled and all funds returned.

Feldman Financial's valuation is not a recommendation as to the advisability of purchasing shares of NI Holdings. In preparing its Appraisal Report, Feldman Financial did not independently verify the financial statements and other information provided by Nodak Mutual, nor did Feldman Financial value independently the assets or liabilities of Nodak Mutual. The Appraisal Report considers Nodak Mutual as a going concern and should not be considered as an indication of the liquidation value of Nodak Mutual. Moreover, because such valuation is necessarily based upon estimates and projections of a number of matters, any of which are subject to change from time to time, no assurance can be given that persons purchasing common stock in the Conversion will thereafter be able to sell such shares at prices at or above the initial purchase price in the Conversion of \$10.00 per share.

#### **Redemption of Subscription Rights**

We have distributed a total of 9,000,000 subscription rights to Eligible Members. Each Eligible Member received the same number of subscription rights, namely 322, which was determined by dividing the midpoint of the offering range by the number of Eligible Members. Each Eligible Member may elect to have all, but not less than all, of such member's subscription rights redeemed by NI Holdings for cash in an amount equal to \$0.67 per subscription right, or a total of \$215.74.

**If an Eligible Member does not purchase any shares of stock in the Offering, such member will be deemed to have elected to have all of such member's subscription rights redeemed.** An Eligible Member is not required to submit an election form to receive the redemption payment.

**If an Eligible Member purchases any shares of stock in the Offering, none of the subscription rights held by such member will be redeemed. If the subscription rights of an Eligible Member are redeemed by NI Holdings, such Eligible Member will not be permitted to purchase shares of stock in the Offering.**

Only subscription rights held by an Eligible Member will be redeemed if not exercised. If an Eligible Member transfers such member's subscription rights, those subscription rights will not be redeemed if they are not exercised.

The redemption price for the subscription rights was determined by Feldman Financial in accordance with the method set forth in the Act for determining such redemption price.

#### **Limitations on Conversion Stock Purchases**

The Plan of Conversion includes the following limitations on the number of shares of Conversion Stock that may be purchased in the Conversion:

- No fewer than 25 shares or \$250 of Conversion Stock may be purchased, to the extent such shares are available.
- No person may purchase more than 5% of the total number of shares sold in the Offering, subject to the limitation on groups of persons acting in concert described below.
- The maximum number of shares of stock subscribed for or purchased in all categories of the Offering by any person, together with associates of and groups of persons acting in concert with such persons, cannot exceed 5% of the total number of shares sold in the Offering with the exception of the ESOP, which may purchase up to 9.9% of the total number of shares sold in the Offering. The Company currently expects that the ESOP will purchase 240,000 shares, which is 2.7% at the midpoint of the Offering.

#### **Restrictions on Transfer of Subscription Rights and Shares**

Except as described above under "Transfers of Subscription Rights," subscription rights granted under the Plan of Conversion are not transferable. Accordingly, except for such permitted transfers, any person receiving subscription rights under the Plan of Conversion may not transfer or enter into any agreement or understanding to transfer the legal or beneficial ownership of those subscription rights or the shares of Conversion Stock to be issued upon their exercise. Subscription rights may be exercised only for the account of the person receiving those rights under the Plan of Conversion or a permitted transferee. A person subscribing to Conversion Stock by exercise of subscription rights received under the Plan of Conversion or as a result of a permitted transfer will be required to certify that he or she is purchasing the shares solely for his or her own account and also that there is no agreement or understanding with any other person regarding the sale or transfer of such shares.

Shares of NI Holdings common stock purchased in the Offering will thereafter be freely transferable under the Securities Act of 1933, as amended ("1933 Act"); *provided, however* that shares issued to directors and officers of Nodak Mutual and NI Holdings will be restricted as to transfer for a period of one year from the effective date of the Conversion pursuant to the provisions of the Act (except for certain limited permitted transfers) and will be subject to additional transfer restrictions under Rule 144 of the 1933 Act.

## **Tax Effects**

For a discussion of the material United States federal income tax consequences of the conversion to Nodak Mutual and to an Eligible Member of Nodak Mutual, see the section titled “Certain Federal Income Tax Considerations” in the accompanying Prospectus.

## **Nodak Insurance Company’s Articles of Incorporation and Bylaws**

The following is a summary of certain provisions of the Amended Articles of Incorporation and bylaws of Nodak Insurance Company, which will become effective upon the conversion of Nodak Mutual from a mutual insurance company to a stock insurance company.

Nodak Insurance Company’s amended and restated Articles of Incorporation will change the name of Nodak Mutual to “Nodak Insurance Company” and authorize Nodak Insurance Company to issue 1,000,000 shares of common stock. All of Nodak Insurance Company’s outstanding common stock will be owned by NI Holdings. Accordingly, exclusive voting rights with respect to the affairs of Nodak Insurance Company after the Conversion will be vested in the Board of Directors of NI Holdings.

Nodak Insurance Company’s amended and restated Articles of Incorporation will provide that such Articles may be further amended only if such amendment is approved by the Board of Directors of Nodak Insurance Company, and, if and to the extent required by law, approved by the Insurance Department and the shareholders of Nodak Insurance Company. The bylaws may be amended by a majority vote of the Board of Directors of Nodak Insurance Company or by NI Holdings as Nodak Insurance Company’s sole shareholder.

## **Termination of the Plan of Conversion**

The Plan of Conversion may be terminated at any time prior to the effective date of the Conversion by the Board of Directors of Nodak Mutual.

## **Interpretation and Amendment of the Plan of Conversion**

All interpretations of the Plan of Conversion by the Boards of Directors of Nodak Mutual and NI Holdings will be final, conclusive and binding upon all persons. The Plan of Conversion may be amended by Nodak Mutual’s Board of Directors at any time before it is approved by the Insurance Department.

\* \* \* \* \*

**RECOMMENDATION OF THE BOARD OF DIRECTORS**

The Board of Directors recommends that you vote “FOR” approval of the Plan of Conversion, “FOR” approval of the Amended and Restated Articles of Incorporation of Nodak Mutual, and “FOR” the Reorganization.

**PLEASE NOTE:** A vote in favor of the Plan of Conversion does not mean that you must purchase conversion stock in the Offering, and a vote against the Plan of Conversion does not mean you may not purchase stock in the Offering or have your subscription rights redeemed for cash. You may vote in favor of the Plan of Conversion and decide not to purchase stock in the Offering, in which case your subscription rights will be redeemed for cash if the Plan of Conversion is approved and the conversion is completed. You may also vote against the Plan of Conversion and decide to purchase stock in the conversion or have your subscription rights redeemed for cash. If the Plan of Conversion and the Reorganization are not approved by the Eligible Voters, the Conversion will not be completed, no stock will be sold, and no subscription rights will be redeemed for cash.

**ADDITIONAL INFORMATION**

WE URGE YOU TO CONSIDER CAREFULLY THIS PROXY STATEMENT, INCLUDING PARTICULARLY THE PROSPECTUS THAT ACCOMPANIES THIS PROXY STATEMENT. WHETHER OR NOT YOU PLAN TO BE PRESENT IN PERSON AT THE SPECIAL MEETING, WE REQUEST THAT YOU FILL IN, DATE, SIGN AND RETURN THE ENCLOSED PROXY AS SOON AS POSSIBLE TO ASSURE THAT YOUR VOTE WILL BE COUNTED. THIS WILL NOT PREVENT YOU FROM VOTING IN PERSON IF YOU ATTEND THE SPECIAL MEETING. YOU MAY REVOKE YOUR PROXY BY WRITTEN INSTRUMENT DELIVERED TO MICHAEL J. ALEXANDER, EXECUTIVE VICE PRESIDENT AND CHIEF EXECUTIVE OFFICER OF NODAK MUTUAL, AT ANY TIME PRIOR TO OR AT THE SPECIAL MEETING OR BY ATTENDING THE SPECIAL MEETING AND VOTING IN PERSON. YOUR PROXY SHOULD BE COMPLETED, SIGNED AND MAILED USING THE ENCLOSED ENVELOPE SO THAT IT IS RECEIVED ON OR BEFORE \_\_\_\_\_, 2016 [INSERT DEADLINE].

THIS PROXY STATEMENT IS NOT AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE CONVERSION STOCK. SUCH OFFERS MAY BE MADE ONLY BY MEANS OF THE PROSPECTUS.

\_\_\_\_\_, 2016  
 Fargo, North Dakota

***NODAK MUTUAL INSURANCE COMPANY***

I/We hereby appoint Michael J. Alexander and Brian R. Doom, or any one of them acting in the absence of the other, as proxyholders, each with the power to appoint his or her substitute, and hereby authorize them to represent me/us and to vote for me/us as designated on the reverse side, at the Special Meeting of Members to be held on \_\_\_\_\_, 2016, or any postponement or adjournment thereof.

This proxy, if properly signed, will be voted in the manner directed on the reverse side. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED (a) "FOR" APPROVAL OF THE PLAN OF CONVERSION, and (b) "FOR" APPROVAL OF THE AMENDED AND RESTATED ARTICLES OF INCORPORATION OF NODAK MUTUAL INSURANCE COMPANY. This proxy will be voted, in the discretion of the proxyholders, upon such other business as may properly come before the Special Meeting of Members or any postponement or adjournment thereof.

**Voting in favor of the Plan of Conversion will not obligate you to purchase NI Holdings, Inc. common stock in the offering.**

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF NODAK MUTUAL INSURANCE COMPANY.

Please vote and sign on the other side.

x Please mark your vote as in this example.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE FOLLOWING:

Approval of the Plan of Conversion:

FOR  AGAINST

Approval of the Amended and Restated Articles of Incorporation of Nodak Mutual Insurance Company:

FOR  AGAINST

The undersigned hereby acknowledges receipt of the Proxy Statement dated \_\_\_\_\_, 2016 and hereby revokes any proxy or proxies heretofore given to vote at said meeting or any adjournment thereof.

(PLEASE DATE, SIGN AND RETURN THIS PROXY IN THE ENCLOSED PROXY REPLY ENVELOPE)

Signature \_\_\_\_\_ Date \_\_\_\_\_, 2016

Only one signature is required in the case of joint subscribers. Please sign exactly as name appears hereon.