North Coast Life

ANNUAL REPORT TO STOCKHOLDERS FOR 2000

Pictured is a helicopter view of the buildings at West 1116 and 1124 Riverside in Spokane which constitute the Home Office of your Company. This view is from the north and shows the very modern remodeling of these historic buildings on the side which faces the Spokane River and Falls. Both buildings are on the National Register of Historic Places and are in the Riverside Historic District. The buildings have been joined together. Your Company occupies only the floor above the North Coast Life sign. The rest of the building is leased to others.

DIRECTORS

Ronald D. Andrews	Laurence G. Egger	Dennis E. Kraft	C. Robert Ogden
Thomas V. Atwater	William C. Fix	Preston E. Macy	Robert J. Ogden
Gavin J. Cooley	Warren C. Heylman	Douglas H. Ogden	W. Robert Shapton

OFFICERS AND MANAGEMENT PERSONNEL

C. Robert Ogden, J.D.
President
Since 1965

Robert J. Ogden
Executive Vice President
Sales and Insurance Operations
Since 1989

Richard D. Hillier
Senior Field Vice President—Sales
California and the Southwest
Since 1978

Clifford D. Kutsch
Secretary—Director of
Agency Administration and
General Services
Since 1965

Gavin J. Cooley, CPA
Treasurer
Since 1990

Samuel C. Luke
Regional VicePresident--Sales
Hawaii and the Pacific
Since 1985

Randy G. Thomas
Regional Vice President—Sales
Pacific Northwest
Since 1999

Delores J. Dressel, FLMI
Vice President—
Policy Service and Claims
Since 1971

Carol A. Maynard, FLMI
Vice President
and Senior Underwriter
Since 1980

David E. Thrams
Assistant Vice President
Computer Services and Operations
Since 1983

Christine D. Lyon, FLMI
Assistant Vice President
Program Analysis and Programming
Since 1984

Jay W. Townsend, FLMI, ACS
Assistant Vice President
Micro Services and Networks
Since 1985

Linda E. Butler, FLMI
Assistant Secretary
Stock Transfer and Word Processing
Since 1974

Robin L. Johnston, CPA
Assistant Treasurer
Since 1992

Diana L. Buchmann, FLMI
Director of Policy Service
Since 2000

Sharon G. Gustafson, FLMI
Director of Accounting
Since 1987

Gary L. Noland, M.D.
Medical Director
Since 1995

Linda J. Thompson
Director of New Business
Since 1969

HIGHLIGHTS

	2000	1999
Net Gain From Operations ....$	905,822	$ 577,869
Paid New Life Insurance ....$ (face amount)	51,439,488	$ 96,055,238
Insurance In Force ....$ (face amount)	592,101,003	$ 631,399,003
Assets ....$	83,434,101	$ 83,808,089
Asset Reserves		
Asset Valuation Reserve (AVR) ....$	900,942	$ 998,741
Interest Maintenance Reserve (IMR) .....$	565,299	$ 2,279,345
Statutory Capital and Surplus ....$	5,998,498	$ 5,242,983
Risk Based Capital Ratio	574%	447%
Investment Rate of Bonds and Preferred Stock	9.31%	8.63%
Average Size Life Case ....$ (face amount)	69,986	85,917
Return on Equity	10.10%	12.0%

A LETTER FROM THE PRESIDENT

Your Company operated in 2000 at a net gain from operations of $905,822, but after capital gains and losses and the preferred stock dividend the net income applicable to common shares is $182,626. In 1999 we operated at a net income from operations of $577,869 but after the capital gains and losses and the preferred stock dividend the net income applicable to common shares was $200,005. The obvious large difference between the operations figures for the years is in the capital losses in the year 2000. As a result of interest rate increases promulgated through the Federal Reserve, our bond portfolio declined in value. The price of a bond moves in an inverse ratio to interest rates. As interest rates go up, bonds go down. Unfortunately, when bonds move down they sometimes are downgraded below investment grade. We sold several issues of bonds at a loss in 2000. The loss generally is charged against the Interest Maintenance Reserve, however, which is established to absorb the effects of fluctuations in interest rates. This year, as the Federal Reserve has begun to lower interest rates again, our portfolio is recovering in value and bonds are going up. We have sold some issues of bonds so far this year at capital gains, and the capital gains flow into the Interest Maintenance Reserve to be available for use at some other time. Gross premium income increased somewhat in 2000, despite the fact that sales were down, death claims net of reinsurance were higher than in previous years, and policy surrenders of life insurance and particularly annuity policies were high as a result of disintermediation; that is, the movement of money from the fixed returns of our products into mutual funds because of the rising stock market. Withdrawals have declined as the stock market has gone down.

Our total insurance in force declined to $592,101,003 from $631,399,003 at the end of 1999, and our annual face amount of sales dropped to $51,439,488 from $96,055,724. In our Annual Report to you last year we told you of the unfortunate experience we had with an agency in Los Angeles. This agency, which came to us with a small group of men and the professed intention of selling in the Armenian ethnic market in Los Angeles which is concentrated in the diamond cutting and trading business, expanded and migrated slowly into the new immigrant Latino mortgage insurance market because the general agent had been raised in Spain and spoke fluent Spanish. Unfortunately, although this agency began with us about June of 1997 and sold a substantial volume, we cancelled all of the producers in March of 2000. The business which was produced was of poor quality and the persistency was too low for profitability. This one agency accounts for virtually the entire drop of our insurance in force between about 1995 and the end of 2000. We have confidence in our ability to supervise our agency force and to encourage and develop quality sales. We have found through experience that, if the agency personnel do not respond to our guidance, it is best to cancel the unit sooner than later. This has been an unfortunate experience, but we will recover from it.

In the fall of 1999 the leadership of our sales department changed and we began an effort across the board by all of our personnel to develop and nurture new agents. We are concentrating, particularly, in the Pacific Northwest and areas outside of the Los Angeles basin. We are beginning to see some positive results. Our sales department has projected that for 2001 our sales should recover from approximately the $51.5 million level of 2000 to about $65 million this year, a growth of about 27%. I doubt that we can anticipate a growth of 27% on a compound basis each year. I anticipate that we can raise our annual sales back over $100 million face amount annually within the next four or five years and our total insurance in force will again be growing within a year or two.

Since the founding of the Company we have followed a plan of “controlled growth”, which is to increase our sales and insurance in force while also achieving a statutory operating gain without the invasion of surplus. On the whole, our plan has been successful over the years and we will continue to follow that guideline. Although we currently have less volume coming on the books than before, it is definitely of better quality and will be more profitable.

On September 9, 2000, the Company again adjusted the par value of our common stock to direct the flow of new capital into the surplus account. The par value was reduced from $4.50 per share to $3.50, which moved money from the capital account to the surplus account. The purchase of additional shares resulted in an aggregate increase of $680,000 in the Company’s capital and surplus accounts.

The warrants for the purchase of new shares of common stock at $5 per share which remain outstanding in the hands of common stockholders who receive this report will expire on December 31, 2001. I am hopeful that many will wish to exercise these warrants. We have outstanding warrants for the purchase of 161,227 common shares. These warrants were issued in 1996 to holders of our common stock as of August 5, 1992, when the preferred stock was authorized. These warrants offer the common stockholders the chance to purchase additional common stock in the Company at a discount from their original basis. Our securities counsel has suggested to us that we not file an offering circular with the SEC and incur the large expense involved unless we have an indication of substantial participation in the warrant exercise. If fewer than 50 common stockholders choose to exercise their warrants this would be considered a "private offering" for which we already have received a Solicitation Permit from the Washington State Insurance Department and no SEC filing would need to be made.

Currently, our common stock trades on the over-the-counter market and was quoted at 4 3/8 bid and $5.00 asked on March 15, 2001. Our preferred stock trades on NASDAQ and on March 15 was quoted at 9 3/4 offered and 10 ½ asked. On days on which trades occur the preferred stock sales appear in the NASDAQ "Small Cap" reports in the Wall Street Journal. The book value of the common stock at December 31, 2000, was $6.28 per share.

At the end of the year our Company's total assets were $83,434,101, down slightly from $83,808,089 at December 31, 1999. The entire decrease involved the disposal by our Company of "Real Estate Owned," which were mortgage loans that had been defaulted to us. We have sold these properties periodically to real estate rental operators, and sold the balance of them in 2000, reducing that asset item from $710,563 to $91,539, thus eliminating what has been a problem since 1995. Our capital and surplus, however, increased to $5,998,498 from $5,242,983 at the end of 1999. Of that figure, slightly over $2.5 million is in the capital account and about $3.5 million in the surplus account. With those levels of capital and surplus, we can qualify to do business in all of the states of the United States except New York, New Jersey, Florida and Virginia. We could, therefore, expand our Company's territory substantially. However, we feel that it is more important that we explore the possibility of electronic sales and devote our attention and resources to our current territory rather than simply expand the number of states in which we attempt to operate. We have, however, applied for readmission in the state of Alaska.

One of the most important measurements of your Company's progress is its Risk Based Capital ratio. The Risk Based Capital ratio simply means having a large enough capital base to support the investment and insurance risks of the Company. Every company is required to maintain a Risk Based Capital ratio of at least 250%. Our RBC ratio at the end of 2000 was 573.5% which compares favorably to the ratio at the end of 1999 which was 447% and to the 305.4% which was the measurement when the Risk Based Capital requirements were established in 1993.

The Company obtained an average yield to maturity without consideration of early redemption of 9.31% on all new bonds and preferred stocks purchased during 2000, which was an increase over the 8.63% achieved in 1999. Our overall yield from all of our investments on an average basis since the Company was founded, however, is 8.1%, excluding the mortgage portfolio. Issues of bonds and preferred stocks purchased so far in 2001 have averaged 8.48%, reflecting the lowering of interest rates by the Federal Reserve.

Comments with respect to our sales plans and products that we expect to use and introduce will follow in other parts of this report, together with further comments on financial results and other Company plans.

We look forward to a much improved year in 2001.

Sincerely yours,

C. Robert Ogden

C. Robert Ogden
President

INVESTMENTS

As of December 31, 2000, the Company's investment portfolio consisted of $49,480,855 book value of bonds (up from $49,032,441 at the end of 1999), and $8,250,559 of preferred stocks (up from $7,956,399). As a result of the six increases in the prime rate caused by the Federal Reserve which lifted the prime from 7.75% on November 17, 1999, to 9.50% on May 16, 2000, the market value of our bond and preferred stock portfolios declined substantially during this period. These values have now begun to recover as a result of the Fed's action in lowering interest rates by one full basis point to 8.50% at the time of this writing (March 15, 2001). The financial markets are now discounting a full 100 additional basis points of easing by September, 2001, which, if the prime rate is reduced to 7.50%, will put it slightly below the level of November 17, 1999, when the Fed begin its series of increases. This will bring the prime rate down to the range of the summer of 1994. The lowest point of the prime rate on the charts which I maintain in my office was 5.50% on October 19, 1993.

The value of our bond and preferred stock portfolios moves inversely to interest rates. As interest rates come down, we will see our portfolios recover in market value, and that has already begun to occur. We have, so far this year, sold a half dozen issues of bonds and have purchased others. In each case we have achieved a capital gain and an increase in the yield.

All of our capital gains flow into the Interest Maintenance Reserve. During 2000 we used some of that reserve because we sold at a loss several issues of bonds that fell below investment grade ratings. This reserve is established to allow a life insurance company to respond to changes in interest rates by maintaining a quality investment portfolio. You will notice on our operating statement that our net realized capital losses were nearly all transferred to the Interest Maintenance Reserve. Now as we sell bonds and achieve capital gains, that reserve will be rebuilt because, as mentioned before, all capital gains flow into it.

We also maintain a mortgage loan portfolio which at year end 2000 was $8,274,526 plus $91,539 of net admitted assets in real estate owned (largely properties defaulted to us), although our REO was down at December 31, 2000, from $710,563 at the end of 1999. The reduction was achieved by the sale of properties largely in Montgomery, Alabama, which we acquired as a result of a lawsuit against several mortgage loan brokers and law firms that we successfully settled back in 1995. Our problem loans have, therefore, practically been eliminated. We also maintain an investment of $1,588,827 in a partnership interest in our Home Office Building in Spokane and $12,045,317 in policy loans and liens. Our policy loans, however, are almost entirely at 1% above the rate of "excess interest" that we pay on our ordinary life policies (which currently is 6% plus a one-half percent bonus for policies which have been in force longer than fifteen years). This "excess interest" is applied to the cash value of the policy. Our policies permit us to change the rate of "excess interest" to respond to economic conditions, although we guarantee our interest rate to our life insurance policyholders for a period of one year after a rate change is made. We have not changed the "excess interest" rate on our life insurance policies since January 1, 1999.

The Company obtained an average yield to maturity without consideration for early redemption of 9.31% on roughly $11.8 million of bonds and preferred stock purchased during 2000. The Company has no tax-free municipal bonds, CMOs, or other derivative instruments. In addition, the Company's real estate mortgage loans are almost entirely single family residential properties with loan balances in the low five figures.

Our investment portfolio is considered to be of high quality by rating agencies.

We have priced our products so we need roughly one and one-half points of yield above the credited interest rate for our Versatile Life (interest sensitive whole life) products and from two to two and one-quarter points above the credited rate for our annuities. We subscribe to a service which gives us a monthly analysis of the credited interest rates of 23 interest sensitive whole life products, 188 flexible premium deferred annuities and 263 single premium annuities with which we compete. We believe that the credited interest rates of our Company currently are favorably positioned against these competitors.

The Company maintains a “Statement of Investment Philosophy” which in 1998 authorized the purchase of an equity portfolio in mutual funds in an amount of no more than $1.25 million. The Directors elected not to establish such a portfolio, however, because of conditions in the stock market, and opted for the fixed return mentioned earlier. This decision will be reviewed again in 2001. We believe that the stock market has somewhat further to go before it strikes a bottom.

The Company continues through its affiliation with R. J. Martin Mortgage Company to acquire individual mortgage loans in the immediate area of Spokane. Mortgages acquired during 2000 were all first mortgage residential loans in which the Company held approximately a 75% loan to value ratio with an average yield of 11.3%.

The Company also holds $196,780 in “non-admitted assets.” These are assets which the Company owns, but we are not allowed by the rules of statutory accounting to include them as “admitted assets” for regulatory purposes. These assets include mortgages which are more than three months in arrears, agents’ balances (commissions advanced to agents) and the Company’s furniture, equipment and automobiles other than computer equipment. Your Company currently maintains a very low level of agents’ debit balances and loans. Our non-admitted assets at December 31, 2000, of $196,780 are down from $348,705 at the end of 1999. The difference between those figures has moved to the surplus account.

The Company’s partnership interest in West 1124 Riverside Avenue Partners, which owns one of the two connected buildings in which your Company’s Home Office is located, is a profitable partnership and during 2001 we expect that its earnings will begin to reduce your Company’s interest in the building.

C Robert Ogden

C. Robert Ogden
President

PRODUCTS AND PRODUCT DEVELOPMENT

Agency Recruiting and Training

The Company has three Regional Sales Vice Presidents who are responsible for new agent recruiting and training efforts: Randy Thomas in the Pacific Northwest, Dick Hillier in the Southwest, and Sam Luke in Hawaii and the South Pacific. After the termination of the Arakelyan agency in Los Angeles, we elected to change our geographic focus in the Southwest region to recruit outside of Los Angles county for now. We have found this area to be a difficult one in which to find agents who produce good persistent business. We have also tightened our recruiting requirements in all territories, and every agent applying for a contract is now checked for outstanding debit balances with other companies through Vector One, an online debit account reporting company similar in concept to MIB (Medical Information Bureau). The "quality not quantity" recruiting approach has measurably improved the persistency of new business we currently receive, and recruiting of new agents in all territories is now underway.

We recruit to North Coast Life by targeting direct mail to licensed life insurance agents in specific zip code areas. In 2000, our recruiting efforts focused in the Northwest States of Washington, Oregon and Montana. In the Southwest, we concentrated in areas that are growing rapidly and where we have had success in finding higher quality agents. Initially this has been San Diego, California, and Phoenix and Tucson, Arizona. Personal interviews of prospective agents and initial one-on-one training in our products and marketing materials is standard practice in our recruiting effort and initiates a positive relationship between the producers and company staff. Often agents are not as familiar with interest sensitive whole life, which is the structure of our Versatile Life product line, as they are with universal life. Although similar, we initially train agents one-on-one to understand our products and then follow up with review seminars to build better quality agents who have a good knowledge of our entire product line. New products are also introduced during these seminars which are held once or twice annually in areas where we have a large presence of agents, and every 18 months at our sales conventions.

For recruiting efforts in early 2001, we are currently mailing areas of Eastern Washington and several communities in Northern and Southern Idaho for the Northwest region; Las Vegas and Bakersfield, Fresno and Sacramento, for the Southwest region; and the state of Hawaii for our South Pacific region. There will be an increase of recruitment mailings in the Northwest region with Randy Thomas now having one years' experience as a recruiter / trainer and we have been pleased to see a high degree of interest by Spokane area agents from a recent mailing.

Sales–New Business Projections

Richard Hillier, Senior Field Vice President, works out of Chino, California, and is responsible for the recruitment and training of agents in our Southwest territory of California, Arizona, Nevada and New Mexico. We look for sales in Richard Hillier's territory to have a strong increase in 2001 over 2000 by 20%, or between $32 and $35 million face amount placed.

Group Employees and Associates of Murray, Utah, works in the federal government employee and school district payroll deduction markets of Utah, Arizona and New Mexico, with consistent year after year sales. We will continue to see the same numbers in year 2001 with between $15 and $18 million face amount placed.

Next, we see continued growth locally in the states of Washington, Oregon, Idaho and Montana with Randy Thomas, Regional Vice President for the Northwest. We are beginning to build-up our "back yard" again, where we once enjoyed a significant sales volume. We met our $12 million face amount projection for 2000 on a submitted basis with $13,840,519 through December, and saw a 276% increase in annuity sales as well. We should see another significant increase in sales in this territory. The projection is $15 million face amount placed.

Other areas of potential increases in sales are the territories of Hawaii and Guam. We plan to recruit more aggressively in Hawaii and have been receiving small but steady sales from Guam.

A reasonable sales projection for year 2001 is $65 million face amount placed.

Current Products

We have been pleased with the increase in annuity sales during 2000 from the November, 1999, introduction of four Single Premium Deferred Annuity plans and a Single Premium Immediate Annuity designed to expand and "round-out" our line of annuity products, which also includes two Flexible Premium Deferred Annuities. The company now provides a complete line of fixed interest-rate annuity plans. The marketing materials for the new single premium annuities called "Annuity Portfolio" have also been well received in that they walk the client (as well as the agent) through some important annuity basics. We believe that fixed interest rate annuities will have higher popularity in 2001 and sales will continue to increase in the company's annuity products line.

The Company market leader continues to be interest-sensitive whole life, distributed under the trademarked name "Versatile Life." The Versatile Life plans with term riders attached continue as our most popular sellers. With the triple "XXX" guidelines implemented in January 2000, the 5-year, 10-year, 15-year and 20-year renewable level term riders all offer guarantees of current premiums for the initial level term period. The 10-year, 15-year and 20-year renewable term riders have been greatly enhanced with this guarantee and match the popular 10-pay, 15-pay and 20-pay Versatile Life plans. This Versatile Life "family plan" marketing package, where one Versatile Life policy with one $35 policy fee covers the entire family, remains our market leader. The extra face amount provided by the term riders, at an affordable price, is essential for family needs including, among other things, income and home mortgage protection. As interest rates have dropped over the years, the addition of level term riders has helped keep the Versatile Life plans affordable while providing the face amount needed for family protection. Product affordability for the "mom and pop" policyholder market that we serve, remains a focus of our product enhancement and development efforts.

The "Life-Style Term" level premium plans used as riders with our Versatile Life also serve as the company's stand alone term insurance product line that also includes an annual renewable term to age 100 plan. There has been a favorable response to the extended guarantees in our "Life-Style Term" plans, and sales remain steady and slightly ahead of previous years. We continue to explore a preferred underwriting class for "Life-Style Term." However, we continue to have good term insurance products that are profitable to the company, offer competitive rates per thousand in the $25,000 to $200,000 face amount market, and have had their best success as riders attached to our permanent insurance plans.

New Products

We will be introducing two new products early in 2001. The "Care" plan was initially planned for release only in California. As a reminder, we had difficulty getting this product approved in our domicile state of Washington. The "Care" reversionary annuity plan has since been approved in all states we are licensed in that do not require home state approval first. Sales of the plan have begun, and we are marketing it immediately to our agents in the states of Arizona, California, Colorado, Hawaii, Idaho and Wyoming. We will also attempt once more to get approval in Washington later in the year, which will allow us to file in Nevada, New Mexico, Oregon and Utah.

Recruiting responses to North Coast Life from agents in the final expense senior market since the introduction of our "Peace of Mind for Tomorrow" WL-IV, Simplified Issue plan, have grown steadily. We see this as a market to continue expanding in with additional products and direct marketing for sales by our agents, as well as direct marketing for sales by the home office.

In addition to the WL-IV plan, a new Graded Death Benefit plan will be released soon to our agents in all states where we are licensed (except Washington). The plan has a $2,500 minimum to $25,000 maximum face amount and pays 25% of the face amount on death in the first year, 50% in the second year and 100% thereafter. Full accidental death, however, would be paid from policy issue. This plan will compliment our "WL-IV" simplified issue, short application plan which also has a $2,500 minimum to $25,000 maximum face amount. Both plans offer guaranteed premiums, cash values and death benefits. Because our "WL-IV" plan is designed to only insure people with health conditions through underwriting tables one through four, we are adding the Graded Death Benefit plan to our portfolio to offer a plan to insureds with health conditions exceeding four tables. Both plans target agents that specialize in the final expense senior market. A new direct mail piece for agents to use to solicit business through target mailings to seniors is also ready for use and a mail piece for solicitation for direct sales by the company is currently under development. There are many areas in our territory where we have little to no agent representation. In these areas we plan to begin direct mail sales from the home office for our WL-IV, Guaranteed Premium Whole Life product.

Product sales in the senior market have remained steady in 2000, and with the introduction of the new Graded Death Benefit plan in 2001, market efforts are expected to increase.

Internet/Agency Software Development

The company's web site, found at www.nclife.com, has been updated extensively throughout year 2000. Our long term goal for the Internet is to have it become an important part of our communication with prospects, policyholders, agents, stockholders, or anyone wanting company financial information, and the means of product sales both through request for agent consultation and sales directly by the Home Office. Interaction between the company and policyholders has been aided by the recent addition of many of our policyholder service forms available through the web site for down load and printing, thus saving mailing expense and time to the policyholder. Further enhancements will include a secure site for access using a password and social security number for policyholders to view pertinent information about their policies.

The agent web domain also will have a secure site for access to agent commission statements and the status of application requirements still pending in underwriting. Our agency software, which gives agents the ability to quote and illustrate all of our products on their own personal computer, is also being rewritten at this time to be driven by Microsoft Windows. Our current agent software is a Microsoft DOS based system and has served us well up to now. However, with the advancement of computer printers that also serve as fax and/or copy machines, printing of illustrations may not work properly unless the program is Windows driven. With the Windows system complete, the programs can also serve as models for our illustration needs over the Internet for both agents and individuals looking for annuities and/or life insurance.

Robert J Ogden
Executive Vice President
Sales and Insurance Operations

ANALYSIS OF OPERATIONS
AND FINANCIAL STATEMENTS

This discussion and analysis provides an assessment by Management of the current financial position and results of operations of the Company.

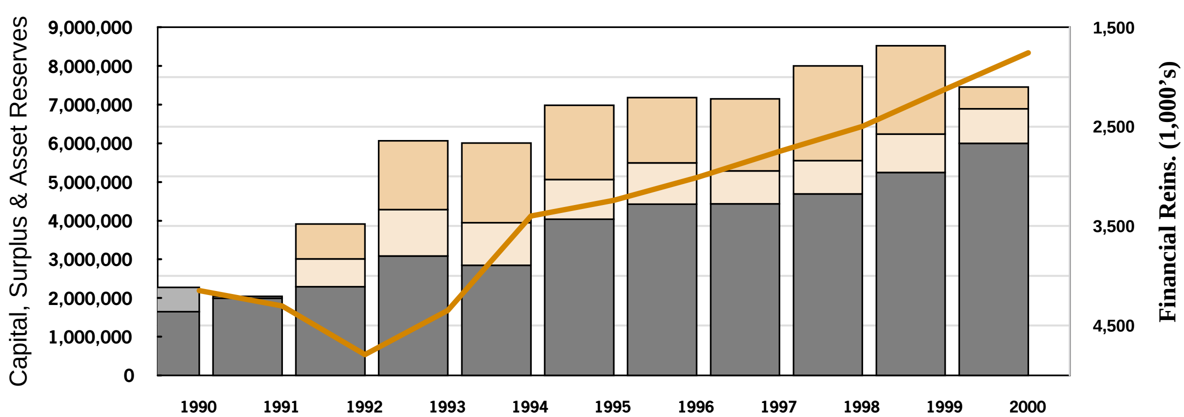
Balance Sheet – Discussion

Capital and Surplus

The Company's capital and surplus increased $755,514 (14.4%), moving from $5,242,984 at December 31, 1999, to $5,998,498 at December 31, 2000. The increase generally derived from the Company's sale of Company common stock totaling $680,000 (see "Common Stock Sales and Change in Par Value").

The following graph depicts a ten-year history of the Company's statutory capital, surplus, asset reserves, and financial reinsurance balances.

Statutory Capital, Surplus, Asset Reserves & Financial Reinsurance



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Capital & Surplus	1,644,501	1,994,586	2,288,115	3,084,117	2,849,048	4,036,913	4,426,109	4,433,340	4,693,490	5,242,983	5,998,498
AVR			724,958	1,200,909	1,096,748	1,030,656	1,065,891	855,516	861,356	998,741	894,362
IMR			900,096	1,776,857	2,061,489	1,919,128	1,689,954	1,860,057	2,447,682	2,279,345	565,299
MSVR	630,048	50,000									
Financial Reins.	4,148,804	4,302,877	4,791,347	4,348,296	3,400,000	3,241,290	3,013,366	2,747,472	2,497,736	2,124,199	1,757,151
Percentages*	3.7%	3.7%	6.5%	9.1%	8.8%	9.8%	9.7%	9.1%	9.8%	10.2%	8.9%

** Percentages depict ratio of capital, surplus & asset reserves to total assets*

Generally, the graph demonstrates strong capital, surplus, and asset reserve growth even while the Company has aggressively paid down financial reinsurance balances and improved invested asset quality.

Assets

The relative composition of the Company's investment portfolio was little changed during the year. Bond and preferred stock investments increased an aggregate $752,574 or 1.3%. The level of preferred stock investments at 9.9% of total assets is consistent with the Company's investment objectives, which call for an approximate level of 10%.

With respect to the quality of the bonds and preferred stock investments, $5.9 million, or approximately 11.4% of these holdings are below the National Association of Insurance Commissioner's (NAIC) "Class 1" and "Class 2" designations of "Investment Grade" (generally NAIC designations below Investment Grade translate to Standard and Poor's ratings below BBB- and Moody's ratings below Baa3). The Company's holdings below Investment Grade are roughly equivalent to the preceding year-end percentage of 12.7%, and remain substantially higher than management's objectives. It should nevertheless be noted that none of the non-investment grade bonds are below Class 4 (the lower Classes are 5 and 6 and are generally securities with "C" ratings and below for both Standard and Poor's and for Moody's).

All of the Company's holdings below Class 2 resulted from purchases of securities which were Class 2 or higher and were subsequently downgraded. At this time, management does not believe any of these downgraded securities are in near-term danger of default.

Holdings of mortgage loans on real estate, dropped 10.6% from $9.2 to $8.2 million. The decrease generally resulted from a significant number of loan payoffs due to the market availability of generally lower interest rate loans and a continued seasoning of the portfolio. The loans are of a very small size, averaging approximately $43,000 of admitted value for the 189 loans in the portfolio. 187 of the loans are first-lien residential mortgages and two of the loans are first-lien commercial mortgages (small apartment buildings). The Company anticipates a continuing reduction in the levels of its mortgage loan investments due to payoffs.

The Company contracts with its affiliate R.J. Martin Mortgage Company to assist in the location and underwriting of its new mortgage loan investments and to service the Company's entire existing mortgage loan portfolio. The cost of servicing is .75% of outstanding principal annually. The costs of locating and underwriting new mortgage loan investments are .5% of the total outstanding principal annually.

The Company's admitted real estate owned (REO) decreased substantially from $710,563 to $91,539. The decrease generally related to the sale of properties in and around Montgomery, Alabama. Management anticipates continued low levels of REO.

Other Invested Assets of the Company remained relatively constant at $1.59 million and consist primarily of a 77.4% interest in "West 1124 Riverside Partners", one of two general partnerships owning the Company's home-office real estate.

The Company holds no derivative investments, and no CMOs or other derivative real estate investments (other than $7,858 in mortgage pass-through certificates from a bank).

Policy Loans increased 6.2% moving from $11.3 million to $12.0 million. This ongoing increase appears reasonable based upon the continued maturing of policies in-force and the rate of interest charged by the Company. The Company generally charges the policy's credited rate plus 1%; this translates to a 7.0% rate with respect to the Company's predominant VIP (Versatile Life Products) policies. The 7.0% rate is lower than the approximate 8% - 9% rates presently available to the Company through fixed income investments however, barring further significant increases in the loans outstanding, the Company does not view the current level of policy loans negatively.

The remainder of the Company's asset categories remained relatively constant from year-end 1999 to December 31, 2000.

Liabilities

The majority of the Company's liabilities are comprised of Policy Reserves (94%). These reserves showed a small increase of less than 1%. The increase is substantially lower than prior periods and was depressed by decreases in premiums (excluding the effects of financial reinsurance) and continued high surrender levels, (early in 2000, Management terminated its relationship with a number of agents who produced business which exhibited poor persistency. These terminations may be expected to eliminate a key source of surrender activity in future years).

Other policy related liabilities, which consist primarily of supplementary contracts without life contingencies and life contract claims payable, increased by $276,023 as a result of a $296,977 increase in contract claims payable in the ordinary course of business.

The Interest Maintenance Reserve (IMR) decreased 75% moving from $2.3 million to $565,299. The decrease results largely from the sale of IMR related fixed income securities

The IMR stands at approximately .7% of cash and invested assets. Although the statement value of the Company's fixed income investments was approximately $6.2 million less than market value at December 31, Management believes that at the present level the IMR appears marginally adequate to account for interest rate risk on its IMR related assets.

The deficit of the fixed income investments market value relative to statement value may be viewed as cyclical, particularly as 1999 was the second worst year for the bond market since 1973. In addition, the recovery in corporate fixed-income securities (i.e. as opposed to Treasuries which have seen a strong recovery), through the year 2000 is just commencing. Partially offsetting the market value deficit are general industry conditions, where the Company has not observed market pressure to increase credited rates on its products to levels which would materially reduce Company profitability.

The Company's Asset Valuation Reserve (AVR) decreased 9.8% moving from $998,741 to $900,842. Realized losses on the sales of securities reduced the AVR by $208,423. The AVR was also decreased by losses on the sale of real estate owned in the amount of $158,920. These losses resulted primarily from the sale of 18 properties in and around the Montgomery Alabama area. These properties were also the subject of prior litigation successfully settled by the Company in 1995. Approximately $78,000 of the REO value had been previously non-admitted by the Company resulting in a net reduction to the Company's surplus account from the disposition of approximately $81,000.

Other non-operating items affecting the Company's capital and surplus accounts include changes in non-admitted assets, continued payment on the Company's 10% Cumulative Convertible preferred stock, and pay-downs in the Company's financial reinsurance balance (see "Other Matters").

Results of Operations – Discussion:

Income

The Company's premium income from life and annuity policies for December 31, 2000 was roughly equivalent to the preceding year-to-date figures as follows:

	12 months ended December 31, 2000	12 months ended December 31, 1999
Life Premiums:		
First Year	476,323	713,637
Renewal	5,473,951	5,397,245
Total	5,950,274	6,110,882
Annuity Premiums	1,093,597	902,574
Accident & Health	3,619	4,044
Total Gross Premiums:	7,047,490	7,017,500

The life premium decrease resulted entirely from a reduction in first-year premiums.

The Company's year-to-date net investment income showed an approximate 2% increase to $6,291,898, consistent with the relatively static level of invested assets. As discussed, there were no significant changes in the invested asset mix.

Capital gains/(losses) moved from a $15,477 loss in the year 1999 to a $376,124 loss in the current year. These losses result from certain dispositions of Company investments in securities, mortgage loans and real estate. The Company's AVR Reserve absorbed all of these losses and accordingly, the Company's surplus account was not directly impacted. (See "AVR Reserve" under "Liabilities" above).

Other income components remained relatively constant.

Expenses

Death benefits (before the effects of financial reinsurance and net of reinsurance and reserves) increased approximately 49%. Excluding the effects of financial reinsurance the increase is a more moderate 25%. Despite the increase in death benefits, viewed in conjunction with the Company's increased retention, the overall impact and trend continues to appear favorable.

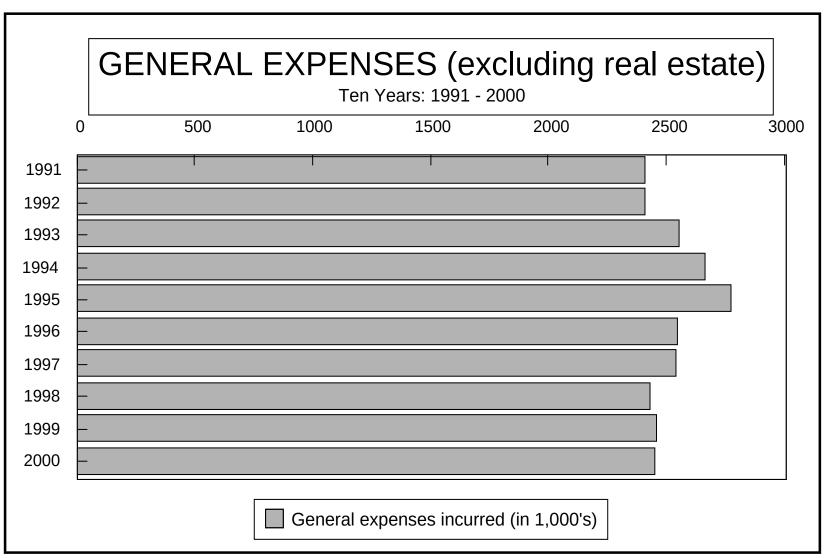
The following table shows the Company's relatively constant and generally favorable death claims experience over a five-year period. The claim amounts are shown net of policy reserves and ordinary reinsurance but exclude the effects of financial reinsurance.

	2000	**1999**	**1998**	**1997**	**1996**
1st Quarter	207,156	334,523	309,732	226,693	261,866
2nd Quarter	267,709	389,513	273,343	344,466	124,248
3rd Quarter	271,807	134,547	310,474	406,948	207,557
4th Quarter	397,275	230,349	227,681	92,896	144,602
Annual Totals	1,143,947	1,088,932	1,121,230	1,071,003	738,273

Policy benefits other than death claims increased a substantial 29.2% ($1.2 million) moving from approximately $4.1 million to $5.3 million. When measured before the effects of financial reinsurance however, the increase is a much lower $740,268.

General expenses for 2000 were $2.5 million and were about 2.7% lower than the prior year. Management has budgeted for additional cost savings in years beyond 2000 based upon continued and aggressive utilization of new computer technologies and other plans for administrative improvements.

The following graph displays general expenses over the past ten years:



Risk Based Capital (RBC)

Each year the Company calculates a "Risk Based Capital" ratio (RBC). RBC generally measures the adequacy of Company Capital & Surplus (and including the Company's AVR asset reserve) relative to a comprehensive measure of the risks associated with the Company's business. A threshold for increased regulatory surveillance has generally been set at RBC levels at, or below, 250%.

The Company's RBC ratio as of year-end increased approximately 28% moving from 447% at year-end 1999 to 574% at December 31, 2000. This increase is due largely to the disposition, during 2000, of approximately $2.9 million of lower grade fixed-income securities and the inflow of capital from the sales of Company common stock.

Reinsurance

In years prior to 1997 the Company's retention limits stood at $65,000 for all types of life products except for term policies for which the retention was $100,000. After a study by the Company's Consulting Actuary, the Company determined in September 1997 to raise the retention on all products to $100,000. Throughout 1998 and through December 31, 2000, at intervals allowed under the various reinsurance treaties, the Company has continued recapturing certain portions of its reinsured business in order to carry out the $100,000 retention level. Based on experience since early 1998, it appears that the additional claims from this recapture are nominal while the savings in reinsurance costs will run approximately $150,000 - $200,000 per year over the next five to ten years. While additional claims expense may be expected to increase over the same five to ten year period, it appears that the reinsurance cost savings will continue to exceed any such increases.

The Company is in the process of negotiating with London Life Reinsurance for a two year extension of its current financial reinsurance treaty in order to avoid excessively large 2002 and 2003 pay downs under the current treaty.

Examination Report

The last Company examination was conducted as of the year ended December 31, 1995, by the Department of Insurance of the State of Washington. The examination was finalized effective December 31, 1997. No adjustments to the Company's books resulted from the Examination.

It is management's understanding that the Company is scheduled for an examination as of year-end 2000 by the Department of Insurance of the State of Washington.

Company Preferred Stock

The Company has outstanding 362,690 shares of 10% Series A Cumulative Convertible Preferred Stock, $1.00 par value. The stock is convertible at the option of the holder into common stock of the Company at any time after September 1, 1995 (unless previously redeemed), at the initial rate of 1.4 shares of common stock for each share of preferred stock. The preferred stock is redeemable in whole or in part at the option of the Company at any time on or after October 31, 1995, and has been redeemable by the Company at par since October 31, 1998. Dividends are payable quarterly. The preferred stock has a liquidation preference of $10.00 per share plus accrued and unpaid dividends. Currently there are no unpaid dividends.

The payment of dividends is subject to certain restrictions imposed by statute and requires approval by the Insurance Department of the State of Washington (Insurance Department). Due to the Company's unassigned deficit, regular payment of common stock dividends is not allowed. During the years ended December 31, 2000, and 1999, with the specific approval of the Insurance Department, the Company paid dividends on its preferred stock of $352,694 and $352,388, respectively. Payment of future preferred stock dividends will continue to require specific approval by the Insurance Department each quarter. This approval will be based at least in part on a review of the Company's "ability to pay", and will consider various financial criteria as determined through ongoing negotiations with the Insurance Department.

The preferred stock is listed on the NASDAQ (National Association of Securities Dealers Automatic Quote) Small-Cap Market under the ticker symbol NCLIP (Wall Street Journal: NoCst pfA).

The Company files with NASDAQ its regular quarterly and year-end (audited) statutory filings and year-end (audited) statements under Generally Accepted Accounting Principles (GAAP). These limited filings are made under an exemption provided for preferred stock (i.e. not common stock) and under a general Life Insurance Company NASDAQ exemption from regular Securities and Exchange Commission filing requirements. Accordingly, the filings do not meet requirements of the 1933 Exchange Act filing requirements

Common Stock Sales and Change in Par Value

On September 22, 2000, the Company's affiliate, R.J. Martin Corporation exercised warrants for the purchase of 136,000 shares of common stock at $5.00 per share resulting in an aggregate $680,000 increase in the Company's capital and surplus accounts.

On September 9, 2000, prior to the exercise of the warrants, the Company adjusted the par value per share of its common stock from the existing $4.50 to $3.50. The change in par value per share from the existing $4.50 to $3.50 was made to direct the flow of new funds, to the extent possible, into the Company's surplus account (i.e. as opposed to the Company's capital account).

The Company's common stock is traded over the counter under the ticker symbol NCLI.

Codification

A long-term project to revise and generally update existing statutory accounting guidance has recently been completed. Known as the "Codification of Statutory Accounting Principles", these changes became effective January 1, 2001.

The Company was generally able to avail itself of the extended consideration period for Codification by, whenever possible under existing rules, making accruals and other adjustments well in advance of the 2001 implementation date. The result is a projected minimal impact on the Company's year 2001 financial statements, which is not expected to exceed $50,000.

The financial statements displayed and discussed herein, are prepared on the basis of Statutory Accounting Principles (also known as regulatory accounting). The Company also prepares its statements annually on the basis of Generally Accepted Accounting Principles (GAAP). The Company's Statutory and GAAP basis financial statements are regularly posted on the Company's web site: www.nclife.com. In addition, a more detailed discussion of the Company's financial operations is also posted on the site (labeled "Management's Discussion and Analysis").

Gavin J. Cooley
Treasurer

LOOKING AHEAD

At December 31, 2000, we had 233 common stockholders and 309 preferred stockholders. At that time, also, we were represented by 174 General Agents, Agents and Brokers. As mentioned in my Letter at the beginning of this report, during the first quarter of 2000 we discharged an agency in Los Angeles that at one time had about 40 producers. Although these men represented a substantial percentage of our agency force, the business they were producing proved unsatisfactory. During 2001 we will be reentering the Alaskan market, and we will continue to actively recruit agents in the twelve western states of Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming in which we currently are licensed. We also are admitted to do business in Guam and the Commonwealth of the Northern Marianas (which principally is Saipan) and also in the Marshall Islands to the east of Guam. During 2000 we have been busy updating our agency software and converting to the Windows format so that our illustrations can print on all of the new multi-purpose printers. If an agent has equipment that will not print our illustrations, however, they can call the Home Office and give us the information, and usually we can get the illustrations out to them the same day by fax.

Since about the last time that the Federal Reserve raised the prime rate on May 16, 2000, the economy has slowed. Interest rates have come down a full percentage point with the two reductions in the prime rate of interest made in January of 2001 by the Fed, and we believe that the slowdown will continue into the fall. The bond market is beginning to improve. Lower interest rates, meaningfully reduced taxes and a national administration with a more pro-business attitude toward regulation, however, should help to restore the economy. We believe that interest rates currently are too high and need to come down at least another point and a half. Most people are unable to borrow at the prime rate of 8.5% which is the level today, since loans usually are made at one half to one and one half percentage points above prime. Credit card rates are even higher. At a loan interest rate of 9.5% or 10% it is difficult for a small business to make money. We expect inflation to remain well under control over the next twelve months. This should give us a reasonable economic atmosphere in which to sell our products.

During the last week of December, 2000, the first release of results from the 2000 census was published. It compared the total population of the nation in 2000 as against 1990. The total population showed a 13.2% increase to 281,421,906. Among the twelve states in which we currently are admitted, only Wyoming (8.9% growth), Hawaii (9.3% growth) and Montana (12.9% growth) fell below the national growth average of 13.2%. California grew 13.8%. Many of our states, however, grew far more rapidly than the rest of the nation:

Arizona	40.0%
Colorado	30.6%
Idaho	28.5%
Nevada	66.4%
New Mexico	20.1%
Oregon	20.4%
Utah	29.6%
Washington	21.1%

In the twelve states in which we are admitted the 2000 census shows a total population of 62,571,000. California remains the largest state with 33,871,648 (54%). Washington is second with 5,894,121. Arizona is third with 5,130,632, Colorado is fourth with 4,301,261, and Oregon is fifth with 3,421,399. These new statistics are of considerable interest in our sales planning. Rob Ogden and Dick Hillier have already this year been to Nevada, particularly the Las Vegas area which is perhaps the fastest growing city in the west. They also called on agents and prospective agents in California. Randy Thomas has been successfully recruiting in the Northwest, especially around Spokane. Sam Luke, in Hawaii, has a group of new recruits who will be taking the license exam. We have mentioned before in these reports that we believe that the area of the nation in which we do business will grow faster than other areas of the country except the Sunbelt states of California, Florida, Texas and Arizona which will have the fastest growth. We think that our part of the country will continue prosperous.

We continue with our development toward a goal of being able to offer products for sale over the Internet, including the possibility of direct sales from the Home Office, and we also have several new products, as mentioned earlier in this report, which we will bring to market through our field force. 2001 will be a year of rebuilding our agency force to emphasize quality business.

If you are a holder of warrants for the purchase of new shares of our common stock at $5 per share, we encourage you to exercise those warrants before they expire on December 31, 2001. Their exercise would add to your Company's capital and surplus account, both strengthening the Company and adding to an opportunity for further increases in our A. M. Best rating.

Our staff and our agency force are responding well to the Company's greater strength and increased A. M. Best rating, and to the challenge of rebuilding our agency operation. Sales are beginning to grow again, and we look forward to a good year in 2001.

To each agent, employee, officer and member of our Board of Directors, and to each of you as our stockholders, I extend my sincere appreciation and thanks.

Sincerely yours,

C Robert Ogden

C. Robert Ogden, J.D.
President

March 15, 2001

NORTH COAST LIFE INSURANCE COMPANY
Spokane, Washington

BALANCE SHEET - STATUTORY BASIS

ASSETS	December 31, 2000 (Unaudited)	December 31, 1999
Ledger and Non-Ledger Assets:		
Bonds (market: $43,911,326 / $44,150,509)	$49,480,855	$49,032,441
Preferred stocks: (market: $7,612,152 / $6,127,915)	8,260,559	7,956,399
Mortgages (residential)	8,274,526	9,250,480
Real estate owned (REO)	91,539	710,563
Other invested assets	1,588,827	1,584,918
Policy loans and liens	12,045,317	11,338,421
Deposits and cash	(11,666)	0
Agents' balances and loans	46,092	103,844
Furniture, equipment and autos	64,837	81,085
Computer equipment	83,262	118,129
Premiums deferred & uncollected	2,221,518	2,238,597
Investment income due & accrued	1,150,540	1,121,394
Amounts receivable:		
Reinsurance	2,118	1,127
Other	292,144	578,471
Guaranty Association assessments	24,710	40,925
Total Ledger and Non-Ledger Assets	83,615,178	84,156,794
Non-Admitted Assets included above:		
Fixed income investments	0	0
Mortgages, REO and related	70,148	163,776
Agents' balances and loans	46,092	103,844
Furniture, equipment and autos	64,837	81,085
Subtotal	181,077	348,705
NET ADMITTED ASSETS	$83,434,101	$83,808,089

LIABILITIES, CAPITAL AND SURPLUS	December 31, 2000 (Unaudited)	December 31, 1999
Policy Liabilities:		
Policy reserves	$73,122,731	$72,501,394
Claims payable	421,928	124,951
Policy dividends & coupons	318,197	335,069
Premiums paid in advance	1,335,321	1,523,284
Other policy liabilities	42,794	65,881
Total Policy Liabilities	75,240,971	74,550,579
General Liabilities:		
Unearned investment income	313,074	294,837
Accrued taxes	165,365	166,638
Accrued general expenses	77,658	38,718
Preferred stock dividend payable	90,673	90,673
Other amounts payable	81,721	145,575
Total General Liabilities	728,491	736,441
TOTAL LIABILITIES	75,969,462	75,287,020
Asset Reserves:		
Interest Maintenance Reserve	565,299	2,279,345
Asset Valuation Reserve	900,842	998,741
Total Asset Reserves	1,466,141	3,278,086
Capital & Surplus		
Capital Stock	2,500,001	2,500,001
Surplus	3,498,497	2,742,982
Total Capital & Surplus	5,998,498	5,242,983
TOTAL LIABILITIES, CAPITAL & SURPLUS	$83,434,101	$83,808,089

NORTH COAST LIFE INSURANCE COMPANY
Spokane, Washington

CONDENSED SUMMARY OF OPERATIONS AND COMPARATIVE REPORT - STATUTORY BASIS

Through December 31, 2000

	2000	*1999*	*1998*	*1997*	*1996*
INCOME:					
Gross premium income	$ 7,047,490	$ 7,017,500	$ 8,200,298	$ 8,845,696	$ 7,757,309
Less reinsurance	(1,564,840)	(1,920,939)	(1,776,418)	(2,290,401)	(2,989,067)
Policy dividends, coupons and supplementary contracts	126,686	116,481	326,873	140,590	52,722
Investment income & IMR, net	6,372,411	6,328,206	6,219,335	6,070,005	5,812,362
Real estate income, net	38,303	(49,283)	(34,505)	(65,769)	(31,111)
Reinsurance commissions & reserve adjustments	1,136,822	933,641	1,332,913	1,597,190	1,856,830
Other income	0	0	0	0	0
Total operating income	13,156,872	12,425,606	14,268,496	14,297,311	12,459,045
OPERATING EXPENSES & RESERVES:					
Increases in policy reserves	237,667	1,257,883	2,481,890	3,664,961	2,466,791
Policy dividends, coupons and supplementary contracts	153,062	205,651	137,032	88,785	75,748
Policy benefits	6,577,479	4,858,189	5,504,936	4,586,070	4,438,436
Commissions	821,690	1,011,177	1,071,930	980,817	926,666
General expenses	2,207,954	2,244,782	2,251,674	2,367,693	2,322,927
Taxes, licenses & fees	295,955	372,291	196,964	239,362	325,410
Premium loading increases/(decreases)	(66,545)	(43,257)	31,461	84,228	(46, 992)
Interest on reserve deposits	2,023,788	1,941,021	1,883,843	1,837,559	1,318,828
Total operating expenses & reserves	12,251,051	11,847,736	13,559,730	13,849,475	11,827,814
NET GAIN/(LOSS) FROM OPERATIONS	905,821	577,869	708,766	447,836	631,231
Realized capital gains/(losses)	(1,971,354)	(53,709)	530,097	293,453	220,894
(Gains)/losses transferred tothe IMR	1,595,230	38,232	(716,746)	(298,942)	(286,611)
NET INCOME	$ 529,697	$ 562,393	$ 522,117	$ 442,347	$ 565,514
Paid ordinary sales	51,440,303	96,055,238	108,151,335	92,765,789	63,810,456
In force at end of year	592,401,003	631,399,003	646,820,402	625,395,123	615,325,234
Total admitted assets	$ 83,434,101	$ 83,808,089	$ 81,564,555	$ 78,189,503	$ 73,966,780

SURPLUS ACCOUNT - STATUTORY BASIS	December 31, 2000	December 31, 1999
CAPITAL AND SURPLUS DECEMBER 31, PREVIOUS YEAR	$5,242,983	$4,693,490
Gain from operations	905,822	577,869
Net Realized capital gains or (losses)	(1,971,354)	(53,709)
Less gains to Interest Maintenance Reserve	1,595,230	38,232
(Increase)/decrease in Asset Valuation Reserve	97,899	(137,385)
(Increase)/decrease in non-admitted mortgages and real estate	97,693	(44,319)
(Increase)/decrease in non-admitted stocks	0	0
(Increase)/decrease in non-admitted other invested assets	1,571	1,670
Net (increase)/decrease in agents' balances and other non-admitted items	78,396	75,501
Dividends paid on Company preferred stock	(362,694)	(362,388)
Paydown of financial reinsurance balance	(367,048)	(373,537)
Exercise of common stock directed warrants	205,042	1,825,024
Increase in common stock par value	474,958	(997,465)
CAPITAL AND SURPLUS, CURRENT PERIOD	$5,998,498	$5,242,983

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