

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
NAMIC Insurance Company, Inc.)
3601 Vincennes Road)
Indianapolis, Indiana 46268)

Examination of: **NAMIC Insurance Company, Inc.**

NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of NAMIC Insurance Company, Inc., any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of NAMIC Insurance Company, Inc. shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

June 21, 2019

Date



Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4444 0519

STATE OF INDIANA) BEFORE THE INDIANA
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COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
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NAMIC Insurance Company, Inc.)
3601 Vincennes Road)
Indianapolis, Indiana 46268)

Examination of: **NAMIC Insurance Company, Inc.**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the NAMIC Insurance Company, Inc. (hereinafter “Company”) for the time period January 1, 2013 through December 31, 2017.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on April 12, 2019.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on June 3, 2019 and was received by the Company on June 6, 2019.

On June 20, 2019, pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company’s response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:

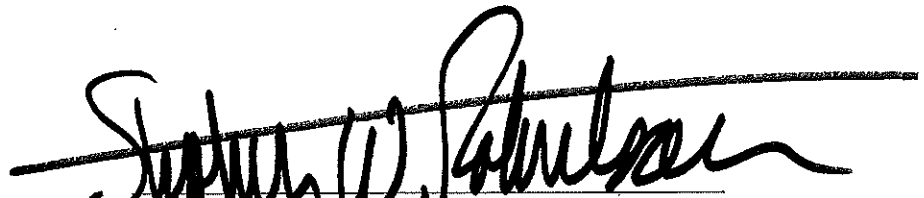
1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2017.
3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance laws of the state of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, as amended, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination, as amended. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 21 day of June, 2019.



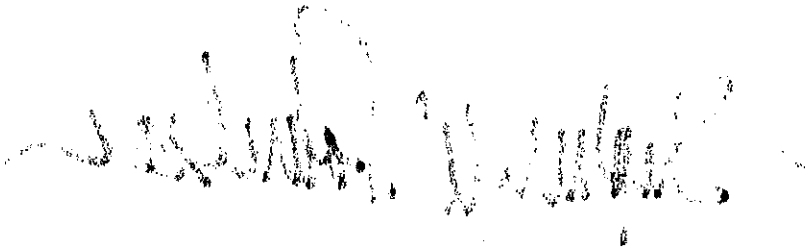
Stephen W. Robertson
Insurance Commissioner

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

A large, dark, handwritten signature in cursive script, appearing to be a name like "Michael J. ...".A smaller, dark, handwritten signature in cursive script, appearing to be a name like "John ...".

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF
NAMIC INSURANCE COMPANY, INC.
NAIC COMPANY CODE 29629

As of
December 31, 2017

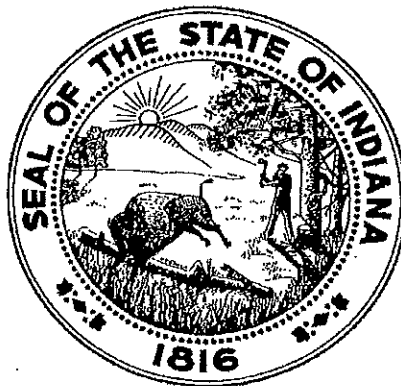


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Stephen W. Robertson, Commissioner

311 W. Washington Street, Suite 103

Indianapolis, Indiana 46204-2787

Telephone: 317-232-2385

Fax: 317-232-5251

Website: in.gov/idoi

April 12, 2019

Honorable Stephen W. Robertson
Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3979, an examination has been made of the affairs and financial condition of:

NAMIC Insurance Company, Inc.
3601 Vincennes Road
Indianapolis, Indiana 46268

an Indiana domestic, stock, and property and casualty insurance company hereinafter referred to as the "Company." The examination was conducted at the corporate offices of the Company at 3601 Vincennes Road, Indianapolis, IN 46268.

The Report of Examination, showing the status of the Company as of December 31, 2017, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2413	COMPANY COMPLIANCE 317-232-3495	CONSUMER SERVICES 317-232-2395/1-800-622-4461	FINANCIAL SERVICES 317-232-2390	MEDICAL MALPRACTICE 317-232-2402	COMPANY RECORDS 317-232-5692	STATE HEALTH INSURANCE PROGRAM 1-800-452-4800
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SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of December 31, 2012. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2013 through December 31, 2017, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

In conducting the risk-focused examination, the INDOI, by its representatives, relied upon the independent audit reports and opinions contained therein rendered by BKD, LLP for each year of the examination period. Such reports were prepared on a statutory basis and reconciled to the financial statements contained in the respective Annual Statements.

The actuarial firm of Merlinos & Associates, Inc. was appointed by the INDOI to conduct a review of the Company's Loss Reserves and Loss Adjustment Expenses as of December 31, 2017.

Thomas Consulting conducted a review of the information systems controls and gained an understanding of the information systems utilized. It was concluded that reliance would be placed upon the Company's information systems.

In accordance with the 2017 NAIC *Financial Condition Examiners Handbook*, Thomas Consulting planned and performed the risk-focused examination to evaluate the financial condition of the Company and to identify prospective risks related to its operations. The examination process included an evaluation of corporate governance, identification and assessment of inherent risks, and documentation of system controls and procedures used to mitigate the identified risks. In addition, the Examiners performed an assessment of the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The examination also included a review of the Company's compliance with Statutory Accounting Principles, Annual Statement Instructions, and the Indiana Insurance Code (IC). All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY

The Company was incorporated on November 21, 1986 under the provisions of the Indiana Insurance Law and commenced business on July 1, 1987. The Company is a member of the National Association of Mutual Insurance Companies (NAMIC), an Indiana not-for-profit trade association which provides various services to its member companies. The Company was organized to provide NAMIC member companies with a market for directors and officers (D&O) and errors and omissions (E&O) liability insurance, and E&O liability insurance for certain agents of member companies.

CAPITAL AND SURPLUS

As of December 31, 2017, the Company reported gross paid-in and contributed surplus of (\$993,301) and unassigned funds (surplus) of \$25,327,460. The authorized capital of the Company consists of 2,000 shares

of Class A common stock and 498,000 shares of Class B common stock with a par value of \$51 per share. As of December 31, 2017, the Company had issued 2,000 shares of Class A common stock with a total par value of \$102,000, and 89,359 shares of Class B common stock with a total par value of \$4,557,309, for total capital stock of \$4,659,309. All of the Company's outstanding Class A common stock was held by NAMIC. Pursuant to the terms of its Subscription and Security Holders Agreement, the Class B common stock ownership is limited to mutual property and casualty insurance companies, which are members of NAMIC, with no single shareholders owning more than 5,000 shares of the Company's Class B common stock.

DIVIDENDS TO STOCKHOLDERS

The Company did not declare or pay stockholder dividends during the period covered by this examination.

TERRITORY AND PLAN OF OPERATION

Direct business for companies and agents is written in Indiana and Kentucky as an admitted carrier, and in the states of Colorado, Kansas, Michigan, Missouri, Nebraska, North Carolina, North Dakota, Ohio, Pennsylvania, South Dakota, Tennessee, Texas, and Virginia, as well as Guam and Saipan, as a surplus lines carrier. The Company also writes direct Company only surplus lines business (no agent business) in Iowa, Illinois, Minnesota, and Wisconsin.

The Company's mission is to provide professional liability insurance to NAMIC member mutual insurance companies, the business partners of those companies, and to insurance industry-related entities. For the period covered by this examination, the Company wrote the following lines of business; directors and officers liability, professional liability, insurance agents and brokers errors and omissions liability, insurance company trustees and fiduciaries liability, and employment practices liability. Cyber liability coverage was available as an endorsement for a portion of the period under examination. All coverages are on a claims-made basis.

The Company markets its products through NAMIC Insurance Agency, Inc. (NIA), the sole distribution channel for the Company's insurance products.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company for the period under examination:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Policyholder Surplus</u>	<u>Net Underwriting Gain/Loss</u>	<u>Net Income</u>
2017	\$52,580,066	\$23,586,598	\$28,993,468	\$(147,516)	\$758,341
2016	51,048,940	23,653,944	27,394,998	(1,105,708)	815,132
2015	55,918,859	29,673,288	26,245,571	363,303	(362,446)
2014	53,764,525	27,433,549	26,330,976	583,401	3,584,866
2013	52,601,575	27,337,577	25,263,997	318,269	1,380,004

Note: Amounts are shown in whole dollars and rows may not total due to rounding.

Except for 2016 and 2017, the Company reported an underwriting profit in each of the other three (3) years covered by this examination. In 2016 and 2017, the Company experienced underwriting losses as a result of a few large claims.

LOSS EXPERIENCE

The following exhibit summarizes the underwriting results of the Company for the period under examination:

<u>Year</u>	<u>Premiums Earned</u>	<u>Losses and Loss Adjustment Expenses (LAE) Incurred</u>	<u>Other Underwriting Expenses Incurred</u>	<u>Losses and LAE Ratio</u>	<u>Combined Ratio</u>
2017	\$5,236,086	\$3,022,219	\$2,361,383	57.7%	102.8%
2016	5,103,983	3,856,906	2,352,785	75.6%	121.6%
2015	4,920,295	2,498,356	2,058,634	50.8%	92.6%
2014	4,659,740	2,123,581	1,952,758	45.6%	87.5%
2013	4,508,762	2,659,871	1,530,622	59.0%	92.9%

MANAGEMENT AND CONTROL

Directors

The Company's Bylaws specify the number of directors shall be nine (9). The directors are elected as required under the provisions of Article E of the Company's Articles of Incorporation with five (5) of the directors being elected by the Class A Shareholders and four (4) of the directors being elected by the Class B Shareholders.

The following is a listing of persons serving as directors as of December 31, 2017:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Charles Morris Chamness Indianapolis, Indiana	Chairman of the Board NAMIC Insurance Company, Inc.
Don Herbert Adams Orem, UT	Retired – President/CEO Bear River Mutual Insurance Company
Tod James Carmony Wooster, OH	President Wayne Mutual Insurance Company
Douglas Paul Fincannon Mebane, NC	President/CEO Alamance Farmers' Mutual Insurance Company
Bradley Myrl Fowler St. Joseph, MO	President/CEO Cameron Mutual Insurance Company
Jeffery Dean Howell Ontario, CA	President Bay of Quinte Mutual Insurance Company
Patricia Anne Mickley Morrison, IL	Secretary/Treasurer Frontier – Mt Carroll Mutual Insurance Company
Sandra Glaser Parrillo Smithfield, RI	President/CEO Providence Mutual Fire Insurance Company
Wayne Franklin White Conway, AR	SE Region Business Developer Norfolk & Dedham Group

Two (2) new Board members joined in 2017. Don Herbert Adams replaced Steve Carl Sliver, who left to become NAMIC's Secretary/Treasurer. Patricia Anne Mickley replaced Karen Renee McCarthy, who left due to conflicts with her schedule.

* Per Article IV of the Company's Bylaws, the Board of Directors shall elect the President of NAMIC as Chairman of the Board of Directors.

Officers

The Company's Bylaws state that the officers shall consist of a Chairman, President, one (1) or more Vice Presidents, Secretary, Treasurer and such other subordinate officers as may be chosen by the Board of Directors. The following is a list of key officers and their respective titles as of December 31, 2017:

<u>Name</u>	<u>Title</u>
Timothy Francis Sullivan	President and Chief Executive Officer
Gregg Alan Dykstra	Secretary
Thomas Richard Kaehr	Treasurer
Pamela Jean Keeney	Vice President - Underwriting
Brian John Stanek	Vice President – Information Technology

Corporate Governance

The Company's Bylaws provide that the directors may create an executive committee of three (3) directors, at least one (1) of which must be a Class B director. In addition, the Bylaws specify that the Board of Directors may, by resolution, provide for such other standing or special committees of the Board of Directors. As of December 31, 2017, the members serving on the committees of the Board were as follows:

Executive Committee:

Charles Morris Chamness	Chairman
Tod James Carmony	
Wayne Franklin White	
Sandra Glaser Parrillo (alternate)	

Audit Committee:

Wayne Franklin White	Chairman
Patricia Anne Mickley	
Sandra Glaser Parrillo	
Charles Morris Chamness (Ex-Officio)	

Investment Committee:

Bradley Myrl Fowler	Chairman
Don Herbert Adams	
Wayne Franklin White	
Charles Morris Chamness (Ex-Officio)	

Reinsurance Committee:

Jeffery Dean Howell	Chairman
Don Herbert Adams	

Douglas Paul Fincannon
Charles Morris Chamness (Ex-Officio)

Compensation Committee:

Tod James Carmony	Chairman
Douglas Paul Fincannon	
Bradley Myrl Fowler	
Charles Morris Chamness (Ex-Officio)	

Corporate Governance Committee:

Sandra Glaser Parrillo	Chairman
Tod James Carmony	
Jeffery Dean Howell	
Charles Morris Chamness (Ex-Officio)	

CONFLICT OF INTEREST

The Company's conflict of interest disclosure process requires directors and officers to complete a conflict of interest disclosure statement on an annual basis. From a review of the officers and directors signed statements, there were no material conflicts of interest reported by any of the officers or directors.

OATH OF OFFICE

IC 27-1-7-10(i) requires that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the corporation and will not knowingly violate any of the laws applicable to such corporation. Each director serving as of December 31, 2017, signed an Oath of Office statement when elected.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Company's Articles of Incorporation during the period covered by this examination.

Bylaws

Effective July 24, 2016, the Company amended its Bylaws, to clarify the President's right and power to hire and fire officers reporting directly to the President. The amended Bylaws were properly filed with the INDOI.

Minutes

The Board of Directors and Shareholders Meeting minutes were reviewed for the period under examination through the fieldwork completion date and significant actions taken during each meeting were noted. For the period under examination, the Annual Meetings of the Shareholders were held in accordance with IC 27-1-7-7(b) and the Company's Bylaws.

AFFILIATED COMPANIES

Organizational Structure

The Company is a member of an insurance holding company system in which it is the sole insurance affiliate of the parent holding company, NAMIC. In addition to the Company, NAMIC a not-for-profit trade association, has a subsidiary, NAMIC Service Corporation, Inc. (NSC), the 100% owner of NIA. Other entities within the holding company system include the following:

- NAMIC PG, Inc. – a risk purchasing group formed and operating pursuant to the Liability Risk Retention Act of 1986 (15 USC 3901 et seq.) under which liability insurance is available to group members.
- NAMIC Group Insurance Trust (a Voluntary Employees Beneficiary Association “VEBA” multiple employer benefit trust providing health insurance benefit programs to member company personnel).
- NAMIC Master Retirement Trust (a multiple employer benefit trust providing retirement benefit programs to member company personnel).
- NAMIC PAC (a federal election political action committee registered with the Federal Election Committee “FEC”)
- NAMIC Advocacy Fund (a separate segregated account, a 527 entity)

The following abbreviated organizational chart depicts the Company's relationship within the holding company system as of December 31, 2017:

Company	NAIC Code	Incorporated State
National Association of Mutual Insurance Companies		IN
NAMIC Insurance Company, Inc. – 100%*	29629	IN
NAMIC PG, Inc. – 100%		IN
NAMIC Service Corporation, Inc. – 100%		IN
NAMIC Insurance Agency, Inc. – 100%		IN

*NAMIC owns 100% of the Company's Class A common stock, and approximately 2.2% of the combined A and B shares.

Affiliated Agreements

As of December 31, 2017, the Company operated under the following intercompany agreements, which have been filed with the INDOI in accordance with IC 27-1-23-4(b)(4).

Client Services Agreement

Effective January 11, 2013, the Company entered into a Client Services Agreement with its affiliate, NSC. Under the terms of the agreement, NSC, as a professional employer organization, agrees to provide professional employer, human resource, employee administration, and management services to the Company through the co-employment of the Company's employees. Pursuant to this agreement, the Company agrees to pay NSC the fees, expenses, and amounts specified in Exhibit A of the agreement, which includes employee compensation, benefit costs (health, retirement, wellness, vacation, sick leave, EAP, etc.), and related payroll/employment costs. In 2017, the Company paid \$2,263,222 to NSC for services provided under this agreement. On April 24, 2013, the INDOI informed the Company that it would not disapprove this agreement.

Administrative Services Agreement

Effective January 11, 2013, the Company entered into an Administrative Services Agreement with NSC whereby NSC agrees to provide administrative, operations, technical, reception, and similar services required by the Company. In return for the services, the Company agrees to pay a monthly service fee as specified in Exhibit A of the agreement. In 2017, the Company paid \$57,413 to NSC for services provided under this agreement. On April 24, 2013, the INDOI informed the Company that it would not disapprove this agreement.

Office Lease Agreement

Effective January 11, 2013, the Company entered into an Office Lease Agreement with NSC, in which it agreed to lease office space from NSC for the purposes of conducting its insurance operations. The initial terms of the lease were for four (4) years, from January 1, 2013 to December 31, 2016. Under the terms of the agreement, the Company was required to make monthly rental payments. In 2017, the Company paid \$129,365 to NSC for services provided under this agreement.

On April 24, 2013, the INDOI informed the Company that it would not disapprove the Client Services, Administrative Services and Office Lease Agreements.

Agency Agreement

The Company entered into a revised Agency Agreement with NIA effective January 1, 1990, and August 1, 2015, whereby the Company grants full power and authority to NIA to receive and accept proposals for insurance covering such classes or risks as the Company may authorize to be written. Effective August 1, 2015, the agreed upon commission of the contract was specified to be 16.25% on renewal business not written on a facultative basis. Commissions on facultative business will be paid on each separate facultative placement at a rate agreed upon by both parties.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by its employees through a fidelity bond, whereby the Company is insured for a single loss of up to \$500,000 with a \$5,000 deductible. As of December 31, 2017, the fidelity bond coverage limit was adequate to meet the prescribed minimum coverage specified by the NAIC.

Contrary to the requirements of IC 27-1-7-14, the Company's fidelity bond was not approved by the Company's Board of Directors at any time during the examination period ending December 31, 2017. (Please see the "Other Significant Findings" section of this report of examination regarding this issue.)

STATUTORY AND SPECIAL DEPOSITS

The Company reported a statutory deposit held by the State of Indiana for the benefit of all policyholders with a book value of \$1,227,794 and a fair value of \$1,220,776 as of December 31, 2017.

REINSURANCE

Reinsurance Assumed

100% Quota Share Reinsurance Agreement

From December 31, 1994 until December 31, 2013, the Company's business partner was Scottsdale Insurance Company. From January 1, 2014, the Company and NIA entered into a fronting arrangement with State National Insurance Inc., National Specialty Insurance Company, and United Specialty Insurance Company, whereby they ceded 100% of the program's business to the Company under a 100% Quota Share Reinsurance Agreement. Through writing direct business, and assuming business written by its business partner, the Company is able to either write or assume business from all 50 states. Actual premium written or assumed in any given year, however, can fluctuate based on renewals or new business in states in which the program has only one or a few insured.

Quota Share Reinsurance Agreements

The Company assumes a small amount of Canadian business from Farm Mutual Reinsurance Plan, Inc. and ProMutual Reassurance. The assumed Canadian business includes professional liability, directors and officers liability, and trustees and fiduciaries liability coverages. During 2017, the Company assumed approximately \$164,000 of premiums under these two (2) agreements.

Reinsurance Ceded

NAMIC Reinsurance Facility – NAMIC member companies

As a condition of obtaining and maintaining directors and officers, or insurance company professional

liability exposure, any member insurance company with legal authority to reinsure the Company for general liability exposures (including Section 2 of multi-peril policies), maintains a certain minimum level of surplus and rating agency rating is required to reinsure the Company. This requirement is limited, on a per-risk basis, to one-half of such insurance company's normal liability per-risk net retention for monoline general liability policies (not including automobile liability policies), for up to a maximum of one-half of one percent (.5%) of its policyholders' surplus as of the end of the last previous calendar year, and subject to an increase in the event of the insolvency of the Company or one (1) or more members of the facility. Companies with the legal authority to insure or reinsure liability exposures, but that do not do so, are deemed to have a normal per-risk net retention of zero, and therefore, are not required to reinsure the Company.

As of December 31, 2017, the Company ceded or retroceded to the NAMIC Reinsurance Facility, 50% of the first \$1,000,000 each claim, each policy, and 85% of the next \$4,000,000 each claim, each policy, in excess of \$1,000,000 each claim, each policy. The Company ceded approximately \$8,722,000 of premium under this agreement during 2017.

Aggregate Excess of Loss Reinsurance Contract

Effective January 1, 2017, the Company entered into a Directors and Officers/Errors and Omissions Aggregate Excess of Loss Reinsurance Contract. Under the contract, the reinsurer is liable to the Company for the amount of ultimate net loss, if any, in excess of a 100% loss. The reinsurer's limit of liability thereon will not exceed an amount of ultimate net loss equal to a further 50% of the Company's net written premium. Notwithstanding the foregoing, as respects the first contract year, in no event will the reinsurer's liability exceed \$9,650,000. As respects the second contract year, in no event will the reinsurer's liability exceed 60% of the initial projected subject net written premium for that year.

In addition to treaty coverages described above, the Company also cedes policy risks in excess of \$5,000,000 on a facultative basis.

Reinsurance Intermediary

As of December 31, 2017, the Company was utilizing the services of a reinsurance intermediary, Aon Benfield. It was determined that the reinsurance intermediary was properly licensed in accordance with IC 27-6-9-12. The Company's reinsurance intermediary also has properly executed written authorizations with the Company in accordance with IC-27-6-9-18.

RESERVES

William Hansen, FCAS, MAAA, an actuary with the firm of Oliver Wyman Actuarial Consulting, Inc., is the Company's Appointed Actuary. Mr. Hansen was appointed by the Board of Directors to render an opinion on the reserves of the Company. He rendered an opinion on such reserves for all years covered by this examination.

The scope of the opinion was to examine the loss and loss adjustment expense reserves of the Company. In forming the opinion, information prepared by the Company was relied upon. This information was

evaluated for reasonableness and consistency. The 2017 opinion stated the reserves: a) meet the requirements of the insurance laws of the State of Indiana; b) are consistent with reserves computed in accordance with accepted loss reserving standards and principles; and c) make a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its contracts and agreements.

During the examination, it was determined by the INDOI consulting actuaries, Robert Daniel, ACAS, MAAA, and Gregory Fanoe, FCAS, MAAA, both from the firm of Merlinos & Associates, Inc., that the material actuarial items in the Annual Statement of the Company were materially correct and fairly stated in accordance with statutory accounting practices prescribed or permitted by the INDOI.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The detail trial balance prepared from the Company's general ledger for the year ending December 31, 2017, was agreed to the Annual Statement without exception. The Company's independent auditors issued unqualified opinions on the Company's audited Statutory Financial Statements for each year during the examination period. The audited Statutory Financial Statements were agreed to the Annual Statement for the year ending December 31, 2017, with no exceptions noted. All of the independent audit work papers were made available to the Examiners during the examination.

An evaluation of controls of information systems was performed in this examination. The objective of the review was to assess whether the controls of the information systems were adequate and risks associated with the information systems had been adequately addressed. The assessment of the controls to mitigate risks was effective and no material weaknesses or significant findings were noted.

Overall, the Examiners determined the Company's accounting procedures, practices, and account records were satisfactory.

FINANCIAL EXHIBITS

Comparative Exhibit – Statutory Statement of Assets
Comparative Exhibit – Statutory Statement of Liabilities, Surplus, and Other Funds
Comparative Exhibit - Statutory Statement of Income
Comparative Exhibit – Statutory Capital and Surplus Account

NOTE: Amounts are shown in whole dollars and columns may not total due to rounding.

NAMIC INSURANCE COMPANY, INC.

FINANCIAL STATEMENTS

Assets

As of December 31, 2017

	<u>Per Annual Statement</u>	<u>Exam Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Assets:				
Bonds	\$ 25,441,915	\$ -	\$ 25,441,915	\$ 26,177,296
Preferred stocks	333,636	-	333,636	373,850
Common stocks	13,450,775	-	13,450,775	12,077,061
Cash, cash equivalents and short-term investments	2,325,689	-	2,325,689	844,015
Derivatives	40	-	40	-
Subtotals, cash and invested assets	<u>\$ 41,552,055</u>	<u>\$ -</u>	<u>\$ 41,552,055</u>	<u>\$ 39,472,222</u>
Investment income due and accrued	\$ 272,748	\$ -	\$ 272,748	\$ 263,972
Uncollected premiums and agents' balances in the course of collection	2,154,659	-	2,154,659	2,114,944
Amounts recoverable from reinsurers	71,848	-	71,848	87,619
Funds held by or deposited with reinsured companies	8,265,784	-	8,265,784	8,092,257
Current federal and foreign income tax recoverable and interest	262,973	-	262,973	1,017,926
Total Assets	<u><u>\$ 52,580,066</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 52,580,066</u></u>	<u><u>\$ 51,048,941</u></u>

NAMIC INSURANCE COMPANY, INC.

FINANCIAL STATEMENTS

Liabilities, Surplus, and Other Funds

As of December 31, 2017

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Liabilities:				
Losses	\$ 3,140,468	\$ -	\$ 3,140,468	\$ 3,070,000
Loss adjustment expense	2,726,341	-	2,726,341	3,118,673
Other expenses	1,008,842	-	1,008,842	976,585
Taxes, licenses and fees (excluding federal foreign income taxes)	12,242	-	12,242	10,129
Net deferred tax liability	318,637	-	318,637	336,655
Unearned premiums	2,521,467	-	2,521,467	2,475,260
Ceded reinsurance premiums payable	208,206	-	208,206	70,148
Funds held by company under reinsurance treaties	13,650,395	-	13,650,395	13,601,654
Amounts withheld or retained by company for account of others	-	-	-	(5,160)
Total Liabilities	\$ 23,586,598	\$ -	\$ 23,586,598	\$ 23,653,944
Capital and Surplus:				
Common capital stock	\$ 4,659,309	\$ -	\$ 4,659,309	\$ 4,659,309
Gross paid in and contributed surplus	(993,301)	-	(993,301)	(993,301)
Unassigned funds (surplus)	25,327,460	-	25,327,460	23,728,990
Surplus as regards policyholders	\$ 28,993,468	\$ -	\$ 28,993,468	\$ 27,394,998
Total Liabilities, Capital and Surplus	\$ 52,580,066	\$ -	\$ 52,580,066	\$ 51,048,942

NAMIC INSURANCE COMPANY, INC.

FINANCIAL STATEMENTS

Statement of Income

As of December 31, 2017

	<u>Per Annual Statement</u>	<u>Exam Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Underwriting Income:				
Premiums earned	\$ 5,236,086	\$ -	\$ 5,236,086	\$ 5,103,983
Losses incurred	\$ 2,139,634	\$ -	\$ 2,139,634	\$ 2,843,261
Loss adjustment expenses incurred	882,585	-	882,585	1,013,645
Other underwriting expenses	2,361,383	-	2,361,383	2,352,785
Total underwriting deductions	\$ 5,383,602	\$ -	\$ 5,383,602	\$ 6,209,691
Net underwriting gain	\$ (147,516)	\$ -	\$ (147,516)	\$ (1,105,708)
Investment Income:				
Net investment income earned	\$ 413,392	\$ -	\$ 413,392	\$ 478,651
Net realized capital gains (losses)	566,485	-	566,485	680,300
Net investment gain	\$ 979,877	\$ -	\$ 979,877	\$ 1,158,951
Aggregate write-ins for miscellaneous income	\$ 71,827	\$ -	\$ 71,827	\$ 61,299
Net income before federal income taxes	\$ 904,188	\$ -	\$ 904,188	\$ 114,542
Federal and foreign income taxes incurred	\$ 145,847	\$ -	\$ 145,847	\$ (700,589)
Net Income	\$ 758,341	\$ -	\$ 758,341	\$ 815,131

NAMIC INSURANCE COMPANY, INC.

FINANCIAL STATEMENTS

Capital and Surplus Account

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Capital and surplus, December 31, prior year	\$ 27,394,997	\$ 26,245,572	\$ 26,330,976	\$ 25,263,999	\$ 22,096,847
Net income	\$ 758,341	\$ 815,131	\$ (362,446)	\$ 3,584,866	\$ 1,380,004
Net transfer from Protected Cell accounts	-	-	368	-	-
Change in net unrealized capital gains or losses	625,250	662,481	139,070	(2,147,332)	1,388,972
Change in net deferred income tax	184,225	(555,377)	433,708	(124,841)	81,232
Change in nonadmitted assets	70,130	184,602	(130,285)	(70,333)	(138,687)
Change in provision for reinsurance	-	-	-	-	-
Capital changes: Paid in	-	(1,530)	-	(1,531)	-
Surplus adjustment: Paid in	-	(7,114)	-	(5,721)	-
Aggregate write-ins for gains and losses in surplus	(39,475)	51,232	(165,820)	(168,130)	455,630
Change in capital and surplus for the year	\$ 1,598,471	\$ 1,149,425	\$ (85,404)	\$ 1,066,977	\$ 3,167,151
Capital and surplus, December 31, current year	\$ 28,993,468	\$ 27,394,997	\$ 26,245,572	\$ 26,330,976	\$ 25,263,999

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2017, based on the results of this examination.

OTHER SIGNIFICANT FINDINGS

Fidelity Bond

Contrary to the requirements of IC 27-1-7-14, the Company's fidelity bond was not approved by its Board at any time during the examination period ending December 31, 2017.

It is recommended that the Company comply with the requirements of IC 27-1-7-14.

It was noted by the Examination Team that the full Board approved the fidelity bond at the April 25, 2019 Board of Directors meeting.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of fieldwork that were considered material events requiring disclosure in this Report of Examination.

MANAGEMENT REPRESENTATION

In support of contingencies and accuracy of information provided during the course of the examination, the Examiners obtained a management representation letter in the standard NAIC format. This letter was executed by key financial personnel of the Company and provided to the Examiners.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-In-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from The Thomas Consulting Group, Inc., performed an examination of the **NAMIC Insurance Company, Inc.** as of **December 31, 2017**.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

The examination was performed in accordance with those procedures required by the 2017 NAIC *Financial Condition Examiners Handbook* and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standard and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of the **NAMIC Insurance Company, Inc.** as of **December 31, 2017**, as determined by the undersigned.



David L. Daulton, CFE
The Thomas Consulting Group, Inc.



Jerry Ehlers, CFE, CPA
Indiana Department of Insurance

DARCY L. SHAWVER
NOTARY PUBLIC

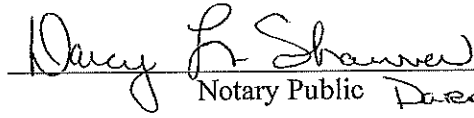
SEAL

MARION COUNTY, STATE OF INDIANA
MY COMMISSION EXPIRES OCTOBER 4, 2025
COMMISSION NO 700053

State of: Indiana
County of: Marion

On this 22nd day of May, 2019, before me personally appeared, David L. Daulton and Jerry Ehlers to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires October 4, 2025 
Notary Public Darcy L. Shawver

