

**ANNUAL
REPORT**



2020

FROM THE CHAIR



Charles M. Chamness
Chair of the Board

2020 will be a year we'll all remember. At NAMICO - your professional liability insurance company - we faced the same challenges as the rest of the industry. And like you, we were able to deliver on the promises made to policyholders and stakeholders. We returned to an underwriting profit, added 9% to surplus, and grew our gross written premiums for the ninth consecutive year.

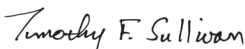
In each of the 33 years NAMICO has been meeting your professional liability insurance needs, providing a stable market for NAMIC member-policyholders has been one of our highest priorities. In most years, the challenge has been competitors that storm the market, each with a fresh appetite for the insurance company professional liability business, but little stomach for the long-tailed liabilities. NAMICO is the opposite of these companies. We serve no market but NAMIC members and their agents, so we're focused exclusively on the professional liability insurance industry and committed to serve in all market cycles for the long term.

I recently read about a large broker that reported D&O prices for their clients up 46% in the fourth quarter of 2020. In contrast, NAMICO policyholder increases over the past year were for the most part modest ones. And while all of us are experiencing increases in the cost of doing business (claims, reinsurance, cyber security, etc.), most NAMICO policyholders should see only slightly higher increases in the coming year. As in prior hard markets, we've chosen to maintain stability in pricing and coverage, and providing that same steady market we were founded to deliver back in 1987.

Though not the largest insurance company in the market, NAMICO is financially strong, skilled at handling professional liability claims, and focused exclusively on what we know extremely well ... your company and agents. And our belief in mutuality – sharing risk and providing a safety net to policyholders in times of trouble; promising to conduct business in an ethical and transparent manner; and providing consistent highest quality service at a reasonable price – is a core commitment.

Thank you for your confidence in us. We pledge to remain committed to you, our policyholders, stockholders, and pool participants ... NAMIC members all.

FROM THE PRESIDENT AND CEO



Timothy F. Sullivan
President & CEO

By the time you receive this report, the NAMIC Insurance Solutions team – NAMICO and NAMIC Insurance Agency – will have been mostly working from home for an entire year. Your team may have had the same experience. Fortunately, our IT department had done an outstanding job of preparing us for this event. We went home, turned on our computers, and set about our work. My thanks to the IT staff, NAMICO's and NAMIC's, as well as all the team members who worked hard under some difficult circumstances to make this all come together. And thanks to their kids, spouses, and pets, who provided their support and video cameos.

For the insurance industry as a whole, 2020 saw COVID Business Interruption claims, demands for rate reductions in personal and commercial lines, and uncertainty throughout most of the industry. Closer to home for NAMICO, 2020 started out with a D&O market in near chaos due to large losses for publicly traded stock companies. While NAMICO's claims are seldom related to D&O, and never publicly traded companies, it is nevertheless the market niche in which our products are found, so escalating costs in this market impact NAMICO. While the insurance industry professional liability market deteriorated into further chaos as 2020 progressed, NAMICO was able to hold its rates and terms fairly steady.

During 2020, NAMICO was able to add just over \$2 million to our Program Gross Written Premium bringing the total to about \$19.4 million, a new high-water mark in a nine-year string of high-water marks. In other key metrics, NAMICO produced both an underwriting profit and a net income in 2020, of approximately \$86,500 and \$2 million, respectively. Surplus has grown to an all-time high of \$31.3 million.

Most of the large claims which have impacted our financial results over the past few years have come from our long-time, traditional mutual policyholders facing excess judgments, and not the new business. While that could change at any time, it is reassuring to find we are adding good business and not just premium dollars. In those large claims, the value of the NAMICO policy has been proven; NAMICO protected the assets of our policyholders from the vagaries of the litigation environment and socially inflated juries.

As NAMICO and NAMIC Agency proceed through 2021, the chaos in the market is providing more quoting opportunities. We still keep a watchful eye on the COVID BI claims, as a number of policyholders are targets. So far most, but not all, of the decisions have gone well for the industry; we have a bit further to go before we reach the final chapter of that story.

My gratitude for the support of the NAMIC membership, the members of the Pool, our reinsurance partners, the NAMIC team, the NAMIC and NAMICO Boards of Directors, and the dedication of the team members of Insurance Solutions. Thank you one and all.

FINANCIAL REPORT (2020 DATA UNAUDITED)

| ASSETS | 2020 | 2019 | % Change |
|------------------------------|-------------------|-------------------|------------|
| Cash & Cash Equivalents | 4,257,241 | 5,358,206 | |
| Bonds | 39,317,084 | 35,196,136 | |
| Stocks | 13,987,014 | 18,760,745 | |
| Short Term Investments | 15,018 | - | |
| Agent Balances | 2,618,203 | 2,335,290 | |
| Federal Income Tax - Current | 785,929 | 758,154 | |
| Accrued Investment Income | 281,895 | 267,231 | |
| Other Assets | 18,221 | - | |
| Total Assets | 61,280,605 | 62,675,762 | -2% |

LIABILITIES AND SHAREHOLDERS' EQUITY

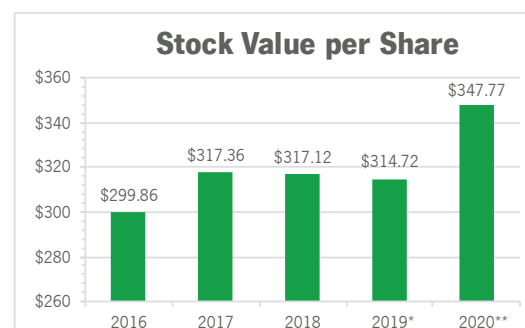
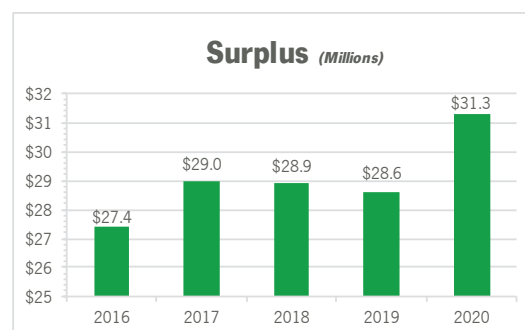
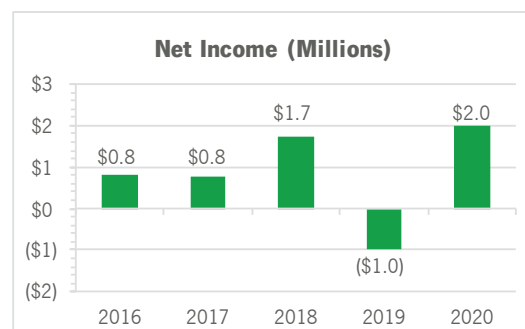
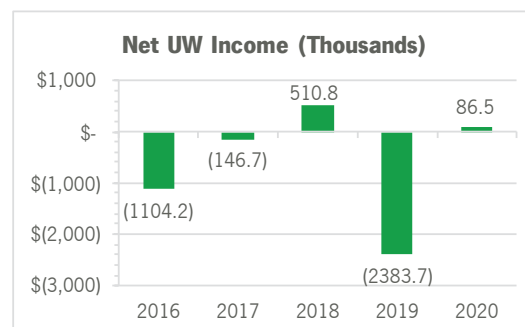
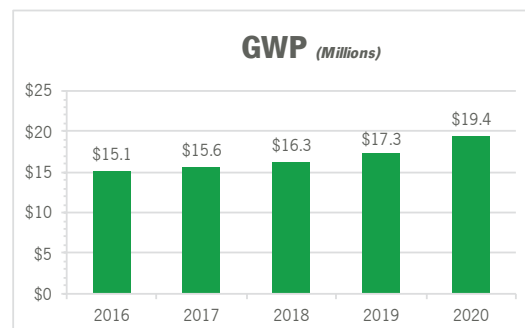
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|---|-------------------|-------------------|-------------|
| Reserve for Losses / Loss Adjustment Expenses | 7,891,116 | 9,100,999 | |
| Reserve for Unearned Premium | 3,056,562 | 2,666,079 | |
| Accrued Expenses & Other Liabilities | 1,052,526 | 718,820 | |
| Reinsurance Premiums Payable | 258,000 | 204,666 | |
| Federal Income Tax - Deferred | 167,533 | 350,308 | |
| Funds Held Under Reinsurance Treaties | 17,598,000 | 19,153,570 | |
| Provision for Reinsurance | - | 1,874,000 | |
| Total Liabilities | 30,023,737 | 34,068,442 | -12% |

COMMON STOCK:

| | | | |
|--|-------------------|-------------------|------------|
| Class A stock; \$51 par value; 2,000 shares | 102,000 | 102,000 | |
| Class B stock; \$51 par value; 498,000 shares authorized, 87,879 issued, and outstanding | 4,481,829 | 4,533,849 | |
| Unassigned surplus | 26,673,039 | 23,971,471 | |
| Total Shareholders Equity | 31,256,868 | 28,607,320 | 9% |
| Total Liabilities & Shareholders Equity | 61,280,605 | 62,675,762 | -2% |

| OPERATING RESULTS | 2020 | 2019 | % Change |
|--|------------------|--------------------|-----------|
| Premiums Earned | 5,898,880 | 5,623,836 | |
| Losses and Loss Expenses Incurred | (3,960,675) | (5,970,097) | |
| Underwriting Expenses Incurred | (1,851,672) | (2,037,469) | |
| Underwriting Gain (Loss) | 86,533 | (2,383,730) | |
| Net Investment Income | 565,757 | 1,282,622 | |
| Realized Capital Gain (Loss) (pretax) | 2,781,904 | 102,631 | |
| Investment Return Credited to Reinsurance Pool | (1,040,778) | (492,823) | |
| Pretax Income (Loss) | 2,393,416 | (1,491,300) | |
| Federal Income Tax Expense (Income) | 387,225 | (472,959) | |
| Net Income (Loss) | 2,006,191 | (1,018,341) | NA |

| SUMMARY OF CAPITAL AND SURPLUS | 2020 | 2019 | % Change |
|---|-------------------|-------------------|-----------|
| Shareholders Equity - Beginning of Year | 28,607,320 | 28,971,538 | |
| Net Income (Loss) | 2,006,191 | (1,018,341) | |
| Change in Unrealized Capital Gains | (726,887) | 2,806,973 | |
| Change in Net Deferred Federal Income Tax | (10,448) | 43,230 | |
| Change in Non Admitted Assets | 61,519 | 6,775 | |
| Change in Common Stock & Paid In Capital | (334,325) | (148,743) | |
| Change in Pension Related Liabilities | (220,502) | (180,112) | |
| Change in Provision for Reinsurance | 1,874,000 | (1,874,000) | |
| Change in Shareholders Equity | 2,649,548 | (364,218) | |
| Shareholders' Equity - End of Year | 31,256,868 | 28,607,320 | 9% |



*amount reported on 2020 annual statement
 **unaudited amount projected for 2021 annual statement

BOARD OF DIRECTORS

DIRECTORS

Charles M. Chamness
NAMIC
Indianapolis, Indiana

Don H. Adams, CIC (Retired)
Bear River Mutual Insurance Company
Salt Lake City, Utah

Steven C. Couch, J.D.
Ohio Bar Liability Insurance Company
Columbus, Ohio

Patrick (Pat) J. Faga
Farmers Mutual Hail Ins. Co. of Iowa
West Des Moines, Iowa

Brad M. Fowler, CPCU, ARe, AIC
Cameron Mutual Insurance Company
Cameron, Missouri

Byron K. Long
Allegany Insurance Group
Cuba, New York

Tricia A. Mickley, CPA, PFMM
Frontier - Mt Carroll Mutual Insurance Company
Mount Carroll, Illinois

Eric P. Schmader, PFMM, FMDC
Farmers Mutual Fire Ins. Co. of Marble, PA
Marble, Pennsylvania

Tim D. Shauf
The Commonwell Mutual Insurance Group
Lindsay, Ontario, Canada

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NAMIC

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Timothy F. Sullivan, RPLU
NAMICO

CFO & Treasurer

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NAMICO

Secretary

Gregg A. Dykstra, J.D.
NAMIC

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Jennifer M. Hamilton, Esq.
NAMICO

Vice President - Underwriting

Ted W. Doughman, CPCU, RPLU, AFSB
NAMICO

Vice President - Information Technology & Security

Brian J. Stanek, C|CISCO
NAMICO

Vice President - Compliance and Product Development

Lisa E. Sladek, ACP, AINS, AIS, API, MCM, MLIS
NAMICO

