

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

IN THE MATTER OF:)
)
NAMIC Insurance Company, Inc.)
3601 Vincennes Road)
Indianapolis, Indiana 46268-0700)

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


NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Amy L. Beard, 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 sent to you on June 11, 2024 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 24, 2024
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7019 1130 0001 7982 6932

STATE OF INDIANA) BEFORE THE INDIANA
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NAMIC Insurance Company, Inc.)
3601 Vincennes Road)
Indianapolis, Indiana 46268-0700)

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, 2018 through December 31, 2022.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on June 6, 2024.

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 11, 2024 and was received by the Company on June 13, 2024.

The Company did not file any objections.

NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the NAMIC Insurance Company, Inc. as of December 31, 2022.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the NAMIC Insurance Company, Inc. to comply with the 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, 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. 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 24 day of
June, 2024.



Amy L. Beard
Insurance Commissioner
Indiana Department of Insurance

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.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

NAMIC INSURANCE COMPANY, INC.
NAIC COMPANY CODE 29629

As of

December 31, 2022

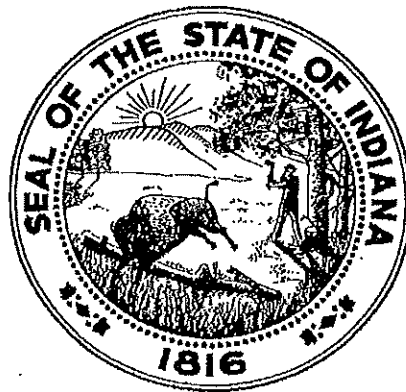


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Amy L. Beard, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-234-2103
Website: in.gov/idoi

June 6, 2024

Honorable Amy L. Beard
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 4142, an examination has been made of the affairs and financial condition of:

NAMIC Insurance Company, Inc.
3601 Vincennes Road
Indianapolis, Indiana 46268-0700

an Indiana domestic property and casualty company, hereinafter referred to as the "Company." The examination was conducted remotely with assistance from the main administrative offices of the Company located at 3601 Vincennes Rd., Indianapolis, Indiana 46268-0700.

The Report of Examination, showing the Company's financial status as of December 31, 2022, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2389 COMPANY COMPLIANCE 317-232-3495 CONSUMER SERVICES 317-232-2395/1-800-622-4461 FINANCIAL SERVICES 317-232-2390 MEDICAL MALPRACTICE 317-232-5253 COMPANY RECORDS 317-232-2383 STATE HEALTH INSURANCE PROGRAM 1-800-452-4800

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) and covered the period from January 1, 2013 through December 31, 2017. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2018 through December 31, 2022, 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 CliftonLarsonAllen LLP, and BKD LLP for the five (5) year examination period. Such reports were prepared on a statutory basis and reconciled to the financial statements contained in the respective Annual Statements.

Davies Group North America (Davies) provided all actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2022.

In accordance with the 2022 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, Thomas Consulting 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 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

Pursuant to the Articles of Incorporation, 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. Both classes of common stock have a par value of \$51 per share. As of December 31, 2022, the Company's surplus as regards policyholders was \$30,755,235, which included: common stock of \$4,583,829, consisting of 2,000 issued and outstanding shares of Class A common stock; 87,879 issued and outstanding shares of Class B common stock; gross paid-in and contributed surplus of \$(1,400,889); and unassigned funds (surplus) of \$27,572,295.

As of December 31, 2022, all of the Company's outstanding Class A common stock was held by NAMIC. Pursuant to the terms of the 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 examination period.

TERRITORY AND PLAN OF OPERATION

The Company operates as an admitted carrier in Indiana and Kentucky, directly underwriting business for companies and agents within these jurisdictions. The Company is also licensed as a surplus lines carrier in the states and territories of Colorado, Illinois, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Carolina, North Dakota, Ohio, Pennsylvania, South Dakota, Tennessee, Texas, Virginia, Wisconsin, Guam, and Saipan.

In addition to its direct business, the Company assumes business under a fronting arrangement with State National Insurance Company (SNIC) and its two (2) wholly owned operating subsidiaries, National Specialty Insurance Company, Inc. (NSIC) and United Specialty Insurance Company (USIC). This strategic partnership enables the Company to leverage the licensing and operational capabilities of SNIC and its subsidiaries to underwrite risks in jurisdictions where it is not directly admitted or licensed.

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 examination period, 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 also available as an endorsement.

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>Capital & Surplus</u>	<u>Premiums Earned</u>	<u>Net Income (Loss)</u>
2022	\$70,408,929	\$39,653,694	\$30,755,235	\$7,301,761	\$492,092
2021	70,185,595	35,936,543	34,249,054	6,688,541	683,730
2020	61,280,605	30,023,737	31,256,868	5,898,880	2,006,191
2019	62,675,761	34,068,443	28,607,320	5,623,835	(1,018,340)
2018	55,576,576	26,474,442	29,102,134	5,682,531	1,737,613

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

The decrease in net income in 2019 was primarily attributed to the adverse development for a small number

of significant claims. The Company reported positive net income in all other years of the examination period.

LOSS EXPERIENCE

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

<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>Other Underwriting Expenses Ratio</u>	<u>Combined Ratio</u>
2022	\$7,301,761	\$4,768,961	\$2,393,755	65.31%	32.78%	98.10%
2021	6,688,541	4,195,314	2,161,616	62.72%	32.32%	95.04%
2020	5,898,880	3,960,675	1,851,672	67.14%	31.39%	98.53%
2019	5,623,835	5,970,097	2,037,470	106.16%	36.23%	142.39%
2018	5,682,531	2,855,106	2,316,967	50.24%	40.77%	91.02%

The above amounts were compiled from the Company's filed Annual Statements and from examination results. A Combined Ratio below 100% generally indicates an underwriting profit. As shown above, the Company reported an underwriting profit for all years except for 2019 as discussed in the Growth of the Company Section above.

MANAGEMENT AND CONTROL

Directors

The Company's Bylaws specify that the number of directors shall be nine (9). The following is a list of persons serving as directors as of December 31, 2022 and their principal occupation as of that date:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Neil S. Alldredge Zionsville, IN	Chairman of the Board NAMIC Insurance Company, Inc.
Steven C. Couch Columbus, OH	President and Chief Executive Officer Ohio Bar Liability Insurance Company
Randall K. Druvenga Denver, IA	President and Chief Executive Officer First Maxfield Mutual Insurance Association
Patrick J. Faga Des Moines, IA	Executive Vice President Farmer Mutual Hail Insurance Company of Iowa

Kimberly A. Fry Waterford, VA	Vice President, Treasurer, and Chief Financial Officer Loudoun Mutual Insurance Co.
Byron K. Long Cuba, NY	President and Chief Executive Officer Allegany Insurance Group
Patricia A. Mickley Mt. Carroll, IL	Secretary and Treasurer Frontier – Mt. Carroll Mutual Insurance Co.
Eric P. Schmader Marble, PA	President and Chief Executive Officer Farmers Mutual Fire Insurance Company of Marble, PA
Timothy D. Shauf Lindsay, ON Canada	President and Chief Executive Officer The Commonwell Mutual Insurance Group

Officers

The Company’s Bylaws state that the Company's officers shall be a President, Secretary, Treasurer, and, if desired, a Chairman of the Board, one (1) or more Vice Presidents, and such other officers as the Board of Directors (Board) may determine. The following is a list of key officers and their respective titles as of December 31, 2022:

<u>Executive Officer</u>	<u>Title</u>
Neil S. Aildredge	Chairman of the Board
Jennifer M. Hamilton	President and Chief Executive Officer
Thomas R. Kaehr	Treasurer and Chief Financial Officer
Gregg A. Dykstra	Secretary
Ted W. Doughman	Vice President, Underwriting
Shannon J. Ollikainen	Assistant Corporate Secretary

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 they 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 during the examination period signed an Oath of Office statement.

CORPORATE RECORDS

Articles of Incorporation

Effective November 10, 2022, the Company amended its Articles of Incorporation in their entirety. The amended Articles of Incorporation were properly filed with the INDOI.

Bylaws

Effective January 26, 2018, the Company amended its Bylaws to clarify the provisions for appointing and terminating officers that report to the President. In addition, effective July 28, 2021, the Company amended its Bylaws to remove gender references. The amendments to the Bylaws were properly filed with the INDOI.

Minutes

The Board and Shareholders Meeting minutes were reviewed for the period under examination through the fieldwork completion date and significant actions were noted during each meeting. For the period under examination, the Shareholders' Annual Meetings were held per IC 27-1-7-7(b).

AFFILIATED COMPANIES

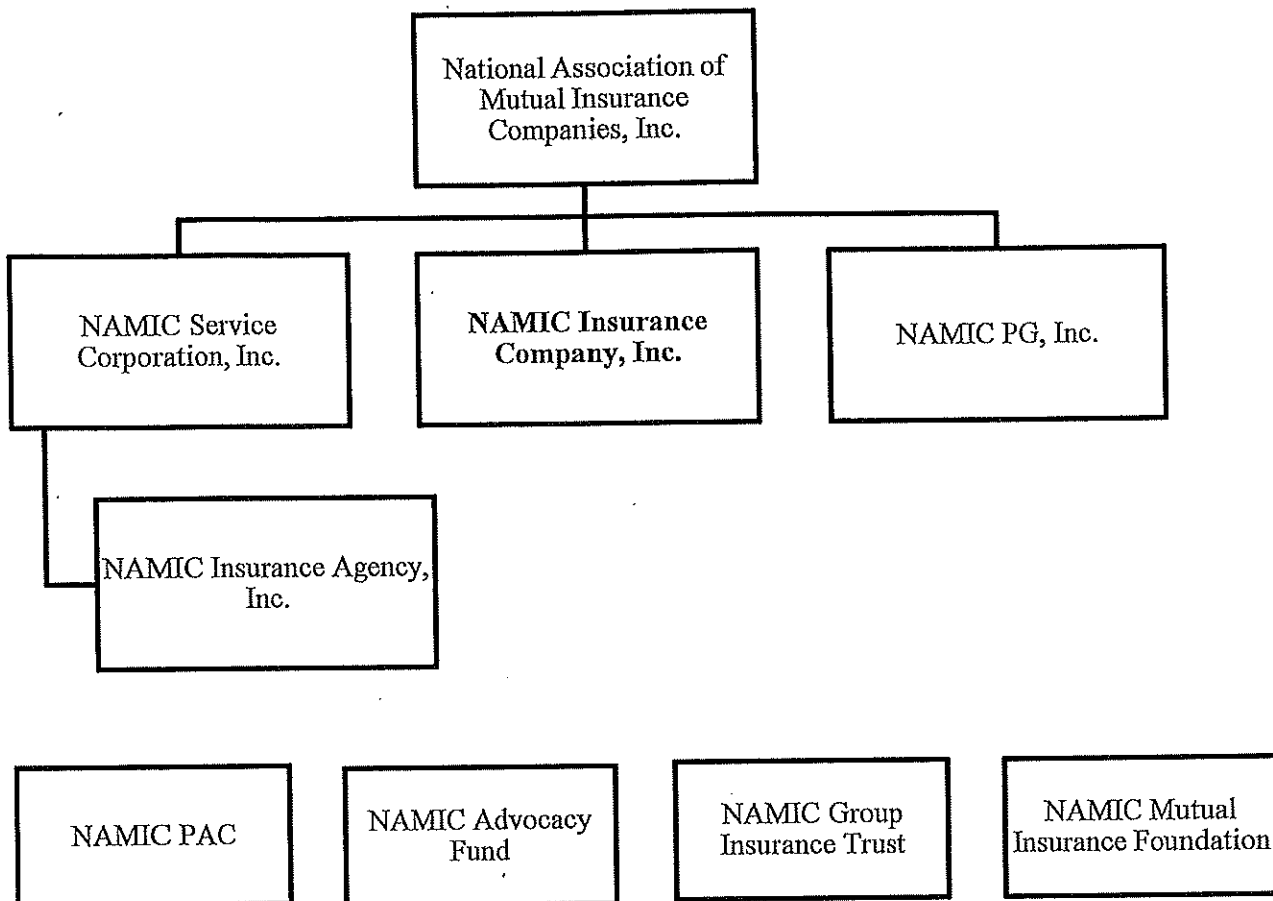
Organizational Structure

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 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 Mutual Insurance Foundation (a 501c 3 foundation).
- 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 for advocacy and political action efforts).

The following organizational chart depicts the Company's relationship within the holding company system as of December 31, 2022:



Affiliated Agreements

The following significant affiliated agreements were disclosed as part of the Form B Holding Company Registration Statement. They were filed with, and not disapproved by, 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.

Administrative Services Agreement

Effective January 11, 2013, the Company and NSC entered into an Administrative Services Agreement. Under this agreement NSC agrees to perform services for the Company including the formulation of policies, administration of the Company's work office information technology requirements, supply, mail shipping, receptionist, office services and supplies, and general administrative services.

Office Lease

Effective January 11, 2013, the Company entered into an Office Lease with NSC, in which it agrees to lease office space from NSC for the purposes of conducting its insurance operations. Under the terms of the agreement, the Company is required to make monthly rental payments.

The Company made total payments of approximately \$239,000 under its three (3) agreements with NSC.

(Please see the "Subsequent Events" section of this Report of Examination regarding changes made to the Company's affiliated agreements.)

FIDELITY BOND AND OTHER INSURANCE

The Company is protected by a fidelity bond issued by CUMIS Insurance Society, Inc. The Company is insured for losses up to \$1,000,000 per loss with a \$10,000 deductible. The fidelity bond limit is adequate to meet the prescribed minimum coverage specified by the NAIC. Other various interests of the Company are protected by appropriate policies of insurance.

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 \$1,109,174 and a fair value of \$987,107.

REINSURANCE

Reinsurance Assumed

Quota Share Reinsurance Agreement

Effective January 1, 2014, the Company and NIA entered into a fronting arrangement with SNIC, NSIC, and USIC, 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 fifty (50) states.

Reinsurance Ceded

The Company's reinsurance program in effect at December 31, 2022 included the following significant contracts:

Quota Share Reinsurance Agreement - NAMICO Reinsurance Facility

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 (0), and therefore, are not required to reinsure the Company.

As of December 31, 2022, the Company ceded or retroceded to the NAMICO 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 \$12,919,000 of its premiums under this agreement during 2022.

Aggregate Excess of Loss Reinsurance Contract

Effective January 1, 2022, the Company entered into a D&O/E&O Aggregate Excess of Loss Reinsurance Contract with multiple reinsurers. 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, in no event will the reinsurer's liability exceed \$11,569,081.

Cyber Liability Quota Share Reinsurance Contract

Effective January 1, 2022, the Company entered into a Cyber Liability Quota Share Reinsurance Contract with Houston Casualty Company (HCC). The contract covers all policies classified by the Company as cyber liability. Under the terms of the contract, the Company cedes 100% of its net cyber liability to HCC up to a limit of \$5,000,000 per policy.

In addition to coverages described above, the Company also cedes policy risks in excess of \$5,000,000 up to \$15,000,000 on a facultative basis.

RESERVES

Jeffery J. Scott, FCAS, MAAA, with the firm of Oliver Wyman Actuarial Consulting, Inc., was the Appointed Actuary for the Company. Mr. Scott was appointed by the Board to render an actuarial opinion on the statutory-basis reserves of the Company for the years 2019 to 2022. The Board appointed William D. Hansen, FCAS, MAAA, with the firm of Oliver Wyman Actuarial Consulting, Inc., to render an opinion on such reserves for 2018 covered by this examination.

The scope of the opinion was to examine the actuarial assumptions and methods used in determining reserves and related actuarial items, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials, as of December 31, 2022. In forming the opinion on loss and loss

adjustment expense reserves, information prepared by the Company was relied upon. This information was evaluated for reasonableness and consistency. In other respects, the examination included such review of the actuarial assumptions and methods used, and such tests of the calculations as considered necessary.

The 2022 opinion stated the amounts carried in the balance sheet on account of the actuarial items identified in the opinion; A) meet the requirements of the insurance laws of the State of Indiana, B) are consistent with reserves computed in accordance with standards, C) make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements.

During the examination, it was determined by the INDOI's consulting actuaries, Davies, that the Company's carried loss and LAE reserve amounts are reasonably stated as of December 31, 2022, and met the requirements of the insurance laws of the State of Indiana.

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, 2022, was agreed to the Annual Statement without exception. The Company's independent auditors issued unmodified 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, 2022, with no exceptions noted. All the independent audit papers were made available to Thomas Consulting during the examination.

Overall, Thomas Consulting 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, 2022

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Bonds	\$ 45,765,783	\$ -	\$ 45,765,783	\$ 39,125,022
Common stocks	14,673,277	-	14,673,277	18,695,176
Cash, cash equivalents and short- term investments	5,929,833	-	5,929,833	8,992,661
Other invested assets	263,893	-	263,893	-
Receivable for securities	6,271	-	6,271	122,423
Subtotals, cash and invested assets	<u>\$ 66,639,057</u>	<u>\$ -</u>	<u>\$ 66,639,057</u>	<u>\$ 66,935,282</u>
Investment income due and accrued	\$ 391,260	\$ -	\$ 391,260	\$ 265,811
Uncollected premiums and agents' balances in the course of collection	2,762,013	-	2,762,013	2,703,277
Current federal and foreign income tax recoverable and interest thereon	170,972	-	170,972	275,670
Net deferred tax asset	347,629	-	347,629	-
Electronic data processing equipment and software	97,998	-	97,998	5,555
Totals	<u><u>\$ 70,408,929</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 70,408,929</u></u>	<u><u>\$ 70,185,595</u></u>

NAMIC INSURANCE COMPANY, INC.

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

As of December 31, 2022

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Losses	\$ 5,681,302	\$ -	\$ 5,681,302	\$ 5,986,542
Loss adjustment expenses	3,692,089	-	3,692,089	3,115,497
Other expenses	1,108,983	-	1,108,983	880,995
Taxes, licenses and fees	-	-	-	-
Net deferred tax liability	-	-	-	689,603
Unearned premiums	3,446,320	-	3,446,320	3,211,906
Ceded reinsurance premiums payable	347,000	-	347,000	195,000
Funds held by company under reinsurance treaties	<u>25,378,000</u>	<u>-</u>	<u>25,378,000</u>	<u>21,857,000</u>
Total liabilities	<u>\$ 39,653,694</u>	<u>\$ -</u>	<u>\$ 39,653,694</u>	<u>\$ 35,936,543</u>
Common capital stock	\$ 4,583,829	\$ -	\$ 4,583,829	\$ 4,583,829
Gross paid-in and contributed surplus	(1,400,889)	-	(1,400,889)	(1,400,889)
Unassigned funds (surplus)	<u>27,572,295</u>	<u>-</u>	<u>27,572,295</u>	<u>31,066,114</u>
Surplus as regards policyholders	<u>\$ 30,755,235</u>	<u>\$ -</u>	<u>\$ 30,755,235</u>	<u>\$ 34,249,054</u>
Totals	<u>\$ 70,408,929</u>	<u>\$ -</u>	<u>\$ 70,408,929</u>	<u>\$ 70,185,597</u>

NAMIC INSURANCE COMPANY, INC.

FINANCIAL STATEMENTS

Statement of Income

For the Year Ending December 31, 2022

	<u>Per Annual Statement</u>	<u>Exam Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Underwriting Income				
Premiums earned	\$ 7,301,761	\$ -	\$ 7,301,761	\$ 6,688,541
DEDUCTIONS				
Losses incurred	2,179,387	-	2,179,387	2,264,981
Loss adjustment expense incurred	2,589,574	-	2,589,574	1,930,333
Other underwriting expenses incurred	<u>2,393,755</u>	<u>-</u>	<u>2,393,755</u>	<u>2,161,616</u>
Total underwriting deductions	<u>7,162,716</u>	<u>-</u>	<u>7,162,716</u>	<u>6,356,931</u>
Net underwriting gain (loss)	<u>\$ 139,045</u>	<u>\$ -</u>	<u>\$ 139,045</u>	<u>\$ 331,611</u>
Investment Income				
Net investment income earned	\$ 692,824	\$ -	\$ 692,824	\$ 473,371
Net realized capital gains (losses) less capital gains tax	<u>87,876</u>	<u>-</u>	<u>87,876</u>	<u>317,844</u>
Net investment gain (loss)	<u>\$ 780,700</u>	<u>\$ -</u>	<u>\$ 780,700</u>	<u>\$ 791,215</u>
Other Income				
Aggregate write-ins for miscellaneous income	<u>(296,347)</u>	<u>-</u>	<u>(296,347)</u>	<u>(279,081)</u>
Total other income	<u>\$ (296,347)</u>	<u>\$ -</u>	<u>\$ (296,347)</u>	<u>\$ (279,081)</u>
Net income before dividends to policyholders	<u>\$ 623,398</u>	<u>\$ -</u>	<u>\$ 623,398</u>	<u>\$ 843,745</u>
Net income, after capital gains tax and before all other federal and foreign income taxes	\$ 623,398	\$ -	\$ 623,398	\$ 843,745
Federal and foreign income taxes incurred	<u>131,306</u>	<u>-</u>	<u>131,306</u>	<u>160,015</u>
Net Income	<u>\$ 492,092</u>	<u>\$ -</u>	<u>\$ 492,092</u>	<u>\$ 683,730</u>

NAMIC INSURANCE COMPANY, INC.

FINANCIAL STATEMENTS

Capital and Surplus Account

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Surplus as regards policyholders, December 31, prior year	\$ 34,249,054	\$ 31,256,868	\$ 28,607,320	\$ 29,102,134	\$ 28,993,468
Net income	\$ 492,092	\$ 683,730	\$ 2,006,191	\$ (1,018,340)	\$ 1,737,613
Change in net unrealized capital gains or (losses) less capital gains tax	(3,834,030)	1,995,579	(726,887)	2,806,973	(1,929,190)
Change in net deferred income tax	18,060	8,430	(10,448)	70,661	131,012
Change in non-admitted assets	(278,957)	77,120	61,523	(20,653)	21,731
Change in provision for reinsurance.	-	-	1,874,000	(1,874,000)	-
Capital changes:					
Paid in	-	-	(52,025)	-	-
Capital changes:					
Transferred to surplus	-	-	-	(23,460)	-
Surplus adjustments	-	-	(282,305)	(125,283)	-
Aggregate write-ins for gains and losses in surplus	<u>109,017</u>	<u>227,329</u>	<u>(220,502)</u>	<u>(310,711)</u>	<u>147,500</u>
Change in surplus as regards policyholders for the year	\$ (3,493,818)	\$ 2,992,188	\$ 2,649,547	\$ (494,813)	\$ 108,666
Surplus as regards policyholders, December 31, current year	<u>\$ 30,755,235</u>	<u>\$ 34,249,054</u>	<u>\$ 31,256,868</u>	<u>\$ 28,607,320</u>	<u>\$ 29,102,134</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2022, based on the results of this examination.

OTHER SIGNIFICANT FINDINGS

There were no significant findings noted as a result of this examination.

SUBSEQUENT EVENTS

The following significant events occurred subsequent to the examination date and prior to the completion of fieldwork.

Service Agreement

Effective February 16, 2024, the Company entered into a Services Agreement with NSC in which NSC agrees to perform various services for the Company including administrative, operational, technical, legal and other similar services set forth in Exhibit A of the agreement. This agreement replaces the Client Services Agreement and the Administrative Services Agreement that were in effect during the examination period. The Services Agreement was received and not disapproved by the INDOI on April 23, 2024.

Office Lease

Effective January 1, 2023, the Company entered into an Office Lease with NSC. The initial term of this lease is January 1, 2023 and to December 31, 2027. The Office Lease replaces the previous one that was in effect during the examination period. The new lease changes the pricing adjustments to square footage, utility apportionment, and space usage to reflect current the commercial office space lease market as well as the addition of common area maintenance. The Office Lease was received and not disapproved by the INDOI on April 23, 2024.

MANAGEMENT REPRESENTATION

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

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 **NAMIC Insurance Company, Inc.** as of **December 31, 2022**.

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

The examination was performed following those procedures required by the 2022 NAIC *Financial Condition Examiners Handbook* and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made per generally accepted auditing standards, and no audit opinion is expressed on the financial statements in this report.

The attached Report of Examination is a true and complete report of the condition of **NAMIC Insurance Company, Inc.** as of **December 31, 2022**, as determined by the undersigned.


D. Patrick Huth, CFE
The Thomas Consulting Group, Inc.


Jerry Ehlers, CFE, CPA
Indiana Department of Insurance

State of:
County of:

On this 10th day of June, 2024, before me personally appeared, D. Patrick Huth 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
NOTARY PUBLIC
SEAL
MARION COUNTY, STATE OF INDIANA
MY COMMISSION EXPIRES OCTOBER 4, 2025
COMMISSION NO 706053

