

2016 | **YEAR IN
REVIEW**

Making a Difference for Mutual Insurance

NAMIC[®]
NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES

LETTERS

Dear Members,

The old saying “it’s a game of inches” holds true for much in life. I am happy to report that in 2016 you and your association were successful in running off more than a few inches. In one year alone NAMIC pushed forward four pieces of federal legislation; found great support from members of Congress; reined in troubling legislation and regulations on the state side; made progress in our lawsuit against HUD on disparate impact regulation; and accomplished important tax law changes that will begin to benefit small companies in 2017.

Throughout the course of the year, NAMIC saw more support than ever in raising PAC dollars for political candidates who believe in free enterprise. In fact, NAMIC PAC, the largest insurance company association PAC in the country, met its long-term goal to exceed \$1 million this latest election cycle. The successes don’t stop there. I am proud to report that NAMIC’s member retention rate is an excellent 99.7 percent, bringing us long-term stability. This high number tells us that the association is built on engagement, value, and connection with members.

2016 was an extraordinarily successful year for your association, successes achieved in large part by your engagement, support, and involvement. Thank you.



Charles M. Chamness
NAMIC President & CEO

Dear Friends,

It is our honor to serve as chairmen of this exceptional organization. Why wouldn’t it be? To represent member companies that serve more than 170 million policyholders and write more than \$230 billion in annual premiums is an experience like no other.

In each of our terms, we have been blessed with many rewarding moments, in particular the opportunity to meet many of you and to hear about your successes and challenges, some unique/some widespread. Rest assured though, whether the challenge is onerous legislation, unnecessary regulation, or educational or product need, NAMIC has the answer: providing strong advocacy and exemplary programs and benefits.

As mutual insurance companies, our No. 1 mission is to protect our policyholders from loss. It is through our resilience, determination, and a shared sense of purpose that we safeguard what matters most to us.

We are proud of what NAMIC accomplished in 2016, and we are excited about the future as our mutual community remains strong and vibrant. On behalf of the NAMIC Board of Directors and NAMIC staff, we would like to thank you for being an instrumental part of this great association.



Paul Steuven, PFMM
Chairman, 2015-2016



Steven D. Linkous, PFMM
Chairman, 2016-2017

BUSINESS

A LOOK BACK AT 2016

Judging by the numbers, 2016 proved to be another successful year for the National Association of Mutual Insurance Companies, with a strong financial performance and an even stronger record of success for association members.

Yet, the numbers only tell one part of the story. Simply including the total from NAMIC, NAMIC Service Corporation, and NAMIC Insurance Agency, association revenue exceeded \$18 million. To get a more complete picture of the association's financial health requires the addition of revenue from other entities or programs controlled or sponsored by NAMIC. These include Group Retirement Trust, Group Insurance Trust, NAMICO, NAMIC PAC, and the NAMIC Advocacy Fund, which, when combined with consolidated revenue, brings the total to \$40 million, representing a sustainable, healthy organization. This is particularly telling considering that NAMIC is run entirely for the benefit of members, but with the direct cost of NAMIC member dues at just \$10 million.

This strength, illustrated through the collective voice of NAMIC members, enables NAMIC to be a force in the insurance industry, creating significant impact – in advocacy, in education, in business support services, and much more.



OUR VISION Providing positive contributions to society through a financially sound, competitive, and ethical insurance industry.

OUR MISSION Strengthening members and the mutual insurance industry by leadership in advocacy, public policy, public affairs, and business support services.

BUSINESS IMPACT

In addition to advocacy efforts, NAMIC continued to see steady growth and progress in 2016 among business support programs, products, and services for our members.

Insurance

November 2016 marked the 30th anniversary of incorporation of NAMICO, which enjoyed a record Pool payout to member participants in 2016, reaching \$4.6 million, the largest in its history. In July 2017, NAMICO will see its 30th anniversary of issuing policies, celebrating a 40 percent premium growth in the past five years and 25 percent growth in surplus in the same period thanks to the continued and growing support of the NAMIC members for NAMICO and NAMIC Insurance Agency.

Products

Through the more than 200 websites developed for association members, NAMIC Web Services is helping to boost website traffic, raise brand visibility, and provide high returns on your marketing and technology investments. Earlier this year, NWS launched a campaign to help companies make the transition to the mobile web, and more recently rolled out website security support services to help combat threats posed by cybercriminals. Also in 2016, NAMIC launched Mutual Docs, a secure, affordable, and easy-to-use cloud-based file storage and distribution system. Since its launch, Mutual Docs has improved the management and distribution of electronic files for hundreds of agents, directors, and company employees.

Education

We continue to expand our educational offerings to meet your needs, and it seems to be working well for everyone. Several of the educational events in 2016 have established attendance records, including Commercial Lines Seminar, Personal Lines Seminar, and Management Conference. And attendee satisfaction remained exceptionally high, averaging 99 percent in 2016. Our virtual events, created to reduce travel demands and maximize efficiency, have exploded in terms of growth, with the number of participants throughout 2016 increasing by an incredible 270 percent!

ADVOCACY

ADVOCACY IMPACT

Federal

NAMIC's impact in our nation's capital spans a wide range of issues. On international insurance regulations, NAMIC worked with Congress to reinforce the integrity of the U.S. state-based regulatory system, presenting testimony that was quoted on the House floor during passage of this NAMIC-supported legislation. By the end of 2016 four pieces of legislation had been introduced – two passing out of committees and one passing the full House – and a half-dozen hearings dealing with international insurance issues were held. As financial services reform efforts continue in 2017, NAMIC will again be a key voice in the debate against unwarranted federal and international intrusion in the marketplace.

As the leading insurance industry voice on commercial drone use, NAMIC provided critical input to the FAA that was directly evident in new drone regulations; testified before Congress; and authored an amendment in the FAA reauthorization bill on insurers use of drones to speed post-disaster claims filing. The FAA is up for reauthorization again in 2017, and NAMIC will again lead the industry in exploring opportunities to further encourage insurance company use of and coverage for drones.

NAMIC's federal advocacy team continued to push for a new approach to federal disaster policy through ongoing work with the BuildStrong Coalition. As a founding member and chairman of the coalition, NAMIC led the effort to persuade members of Congress to introduce The National Mitigation Investment Act – landmark legislation that changes how the federal government addresses natural disasters and brings practical, effective, and efficient solutions that will prevent losses, while saving lives and taxpayer dollars. In 2017, Congress will again take up legislation to reauthorize and reform the National Flood Insurance Program. NAMIC will continue to argue that until the NFIP coverage rates match the risk facing homeowners, the program will continue to be a drain on taxpayers, while more effective, competitive private-market solutions will remain limited, at best.

State

In state capitals and at the NAIC, NAMIC's impact could be felt all over the country with advocates on behalf of members achieving several advocacy successes in 2016. Among those successes was the adoption by 10 more states of the compromise reached last year with the transportation network company industry, bringing to 36 the number of states that have enacted this much-needed ride-sharing legislation. In Oregon, NAMIC defeated two dangerous bad-faith bills; spearheaded repeal of a law in Virginia that would have cost the industry millions in mailing costs; and worked to ensure that the controversial "Opt-Out" workers' compensation legislation gained no legislative traction in South Carolina.

NAMIC's impact at the NAIC took many forms, sharing industry perspective on the new cyber security model law and the NAIC efforts on corporate governance, risk-based capital changes, auto insurance affordability, group capital calculations, data collections, and the cost of financial exams.

International

On the international scene, NAMIC was more active in 2016 than at any other time in our history, with the goal of constantly reminding the global regulatory community that the U.S. state-based system, despite its flaws, offers the gold standard in solvency regulation as compared to the rest of the world and should not add expensive new requirements to the U.S. system simply to achieve uniformity with Europe.

Evidence of NAMIC's impact can be seen in the time frame for finalization of the international capital standard, which has been delayed; in changes included in the Insurance Core Principles to recognize the need for proportionality; and in the white paper drafted by regulators that makes the case for why mutuals are different and deserving of regulatory considerations based on those differences.

Political

NAMIC's ability to impact state and federal policy matters is due to our powerful grassroots member involvement and the strength of the association's political action committee. In 2016, NAMIC PAC surpassed the \$1 million mark, with \$1 million in funds raised and \$1 million in funds distributed to candidates across the country, making it the largest insurance association political action committee in America. NAMIC PAC and the Congressional Contact Program have made NAMIC a very powerful advocacy force within the industry. This year alone, more than 200 individuals representing almost 150 NAMIC member companies traveled to Washington to carry the industry's messages on the top federal legislative issues facing insurers to nearly 250 congressional offices.



23

full-time advocacy experts working in all 50 states and Washington, D.C., on behalf of member companies

1,084

advisories and alerts sent to members in 2016

244

Congressional Contact Program participants in 2016 representing 34 states and nearly 250 congressional office visits

\$1.13

million disbursements by NAMIC PAC to nearly 339 state and federal candidates in the 2016 election cycle

MEMBERSHIP & REPUTATION

Membership

We are proud to report that in 2016 NAMIC remained the largest property/casualty insurance trade association in terms of membership and market share. Member retention continued to exceed 99 percent, with 17 new insurance and associate members adding more than \$150,000 to the association's dues. Merger activity among farm mutuals declined in 2016, providing welcome relief from recent trends. That combination enabled NAMIC to stay on track to hit its dues revenue goal again in 2016, an essential factor in the association's ability to achieve overall business plan and advocacy goals for the year.

Reputation

In 2016, NAMIC sought new ways to help increase visibility for the mutual insurance industry. The association entered into a partnership with Fortune magazine to develop a special section on mutuals that focused on the enduring stability and unique value of mutual insurance to a national audience. The six-page spread ran in the September 12 issue of Fortune, coinciding with NAMIC's annual convention. Readership for that issue was estimated at more than three million readers.



70+ in-person and virtual events hosted by NAMIC in 2016 with more than 4,000 participants



170 million auto, home, and business policyholders served



40 products and services related to insurance, employee benefits, compensation planning, arbitration, and more



\$230 billion in member company policyholder premiums



19+ thousand monthly visitors on NAMIC.org



39% of the total property/casualty insurance market



40+ NAMIC committees, task forces, working groups, and advisory councils



54% of the homeowners insurance market



1400+ member companies in the property/casualty insurance business

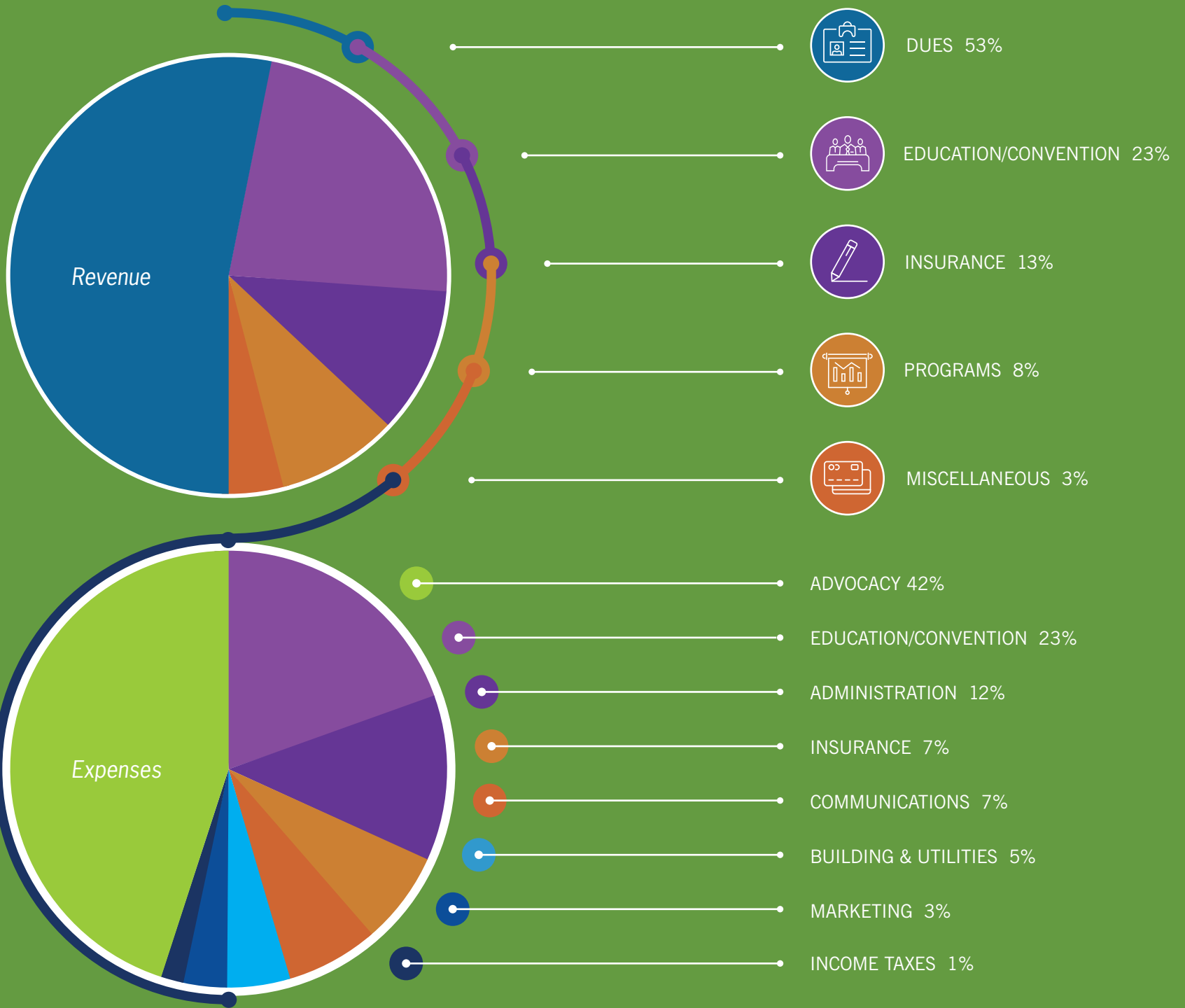


43% of the automobile insurance market



32% of the business insurance market

FINANCIAL



NAMIC[®]
The difference is in the experienceSM
public policy | advocacy | education | networking | insurance | services

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