2018 YEAR IN REVIEW

NAMIC®
NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES
SHAPING OUR MUTUAL FUTURE®
NAMIC is the largest property/casualty insurance trade association in the country, with more than 1,400 member companies. NAMIC supports regional and local mutual insurance companies on main streets across America and many of the country’s largest national insurers. NAMIC members represent 41 percent of the total property/casualty insurance market, serve more than 170 million policyholders, and write more than $253 billion in annual premiums.
CONTENTS

Letter from the President & CEO
Letter from the Current and Past Chairmen
2018 in Review
Government Affairs
Political Strength
Corporate Affairs
Member Development
NAMICO
2018 Financial Information
Dear Members,

On behalf of the NAMIC Board of Directors and staff, I would like to thank you for the contributions you have made to the success we experienced in 2018 on Capitol Hill, in state legislatures, with regulators, and in educational programming and product development.

Whether it was making phone calls, testifying before a legislative committee, donating to NAMIC PAC, or attending one or more of the many educational events, your involvement ensured that your association reached new heights.

Throughout the course of 2018, NAMIC advocated successfully on many important issues. Advocacy achievements included blocking the NAIC from increasing capital requirements necessitated by the U.S.-EU Covered Agreement; pushing across the finish line the Disaster Recovery and Reform Act, the first law of its kind to incentivize states to build with resiliency. Among other successes were passing into law the first piece of legislation designed to bring more oversight to the international insurance standard-setting process; defeating multiple measures to restrict underwriting freedom in states such as Virginia and California and defeating or amending nearly 20 wildfire-related insurance bills in California that would have altered insurance underwriting, coverage, and claims practices in the state.

These are just a few of the many issues we addressed on the international, federal, and state levels in 2018, but being the leader in advocacy is just one of the ways NAMIC offers real value to members. We continued to grow in membership by welcoming nine new insurance companies and eight new associate members to
our roster, maintaining our more than 99 percent voluntary retention rate. We enhanced educational offerings to expand the knowledge and insights to be gained through attendance at NAMIC events. We also introduced several new products to assist you in your business, such as the new Compliance Survey tool and the new Legislative and Regulatory Tracking System.

I hope you’ll take some time to go through this report and familiarize yourself with what NAMIC has accomplished for you and your policyholders in 2018. And, as always, please do not hesitate to let me know how we can better serve you.

Thank you for a tremendous year. Here’s looking to a great 2019.

Chuck Chamness, President & CEO
Dear Friends,

The past year has been an exciting and heartwarming time for us as we have been blessed to meet so many of you during our travels across the country. The opportunity to serve you as your board chairmen has been a truly wonderful and inspiring gift.

In conversations with you, we have learned about your successes and the business challenges you have overcome. It is our hope that these conversations will continue as there is no better way to learn and grow than through discourse with your peers and involvement in your association.

The “M” within the NAMIC logo, of course, refers to mutuality, but it also stands for membership and the importance of member participation. Involvement in the numerous opportunities NAMIC provides, and the interactions with our peers, is where we receive the true value of NAMIC, which is priceless.
Because NAMIC is truly a member-driven trade association, our agenda and priorities are determined by you and your fellow members, and NAMIC has plenty of opportunities for you to become involved, from serving on the board of directors or committees to joining task forces or working groups. Through your engagement your association remains strong and viable, and it is our hope that you will continue to lead NAMIC to greater successes.

The strength of NAMIC has always been and will always be built by members personally embracing the association.

Thank you for a great year!

Paul Ehlert, 2017-2018
Henry R. Gibbel, 2018-2019
While talk of disruption may have dominated the property/casualty insurance industry in 2017, that talk gave way to action and progress for NAMIC and its members in 2018. Our industry made significant headway on many important issues at the state and federal levels. We also reinforced the foundation of our industry through new research with solid data demonstrating the strength and performance of the mutual insurance industry.

Building on the reorganization of the association’s staff leadership team in 2017, your association won new legislative and regulatory battles, introduced new ways to share information with NAMIC members, continued to deliver high-quality, diverse educational content, and launched new products designed to support membership business needs. Throughout 2018, NAMIC continued to lead by word and by deed to enhance the visibility, reputation, and impact of the mutual insurance industry.
GOVERNMENT AFFAIRS

The track record of success from NAMIC’s Government Affairs Department continued in 2018 with multiple wins that advanced the interests of our industry in Washington, D.C., and across the country.
Highlights include:

- Secured passage into law of the Disaster Recovery and Reform Act, a package of historic disaster mitigation reforms designed to reverse the cycle of destruction and incentivize states to build resiliently. The new law, which NAMIC led the BuildStrong Coalition in crafting, drastically alters the way the nation will prepare for disasters and represents the most significant change to disaster policy since the passage of the Stafford Act in 1988.

- Prevented the NAIC from moving forward with increased capital requirements for insurers to offset the changes in collateral requirements for foreign reinsurers necessitated by the U.S.-EU Covered Agreement.

- Secured multi-industry support for an NCOIL national model bill on towing reform that will curtail many of the abusive practices that drive costs to insurers and their policyholders.

- Secured passage into law of the first piece of legislation designed to bring more oversight to the international insurance standard-setting process, which NAMIC began educating Congress about six years ago.

- Worked to see follow-on international legislation designed to rein in U.S. representatives engaged in international insurance negotiations pass the House Financial Services Committee, and later the full chamber, by a landslide vote.

- Successfully worked to defend against 2018’s most dangerous bad faith legislation - a New Jersey bill that would establish a cause of action without the need to establish any pattern of practice.
• Defeated multiple measures across the states to restrict underwriting freedom, including assisting the Alaska insurance industry in securing the passage of legislation to reform the law on insurer use of credit-based insurance scoring on policy renewals. The project took seven years of advocacy work and extensive lobbying of the governor and insurance director to get the bill passed.

• Worked successfully to see introduction of legislation to abolish or drastically reduce the scope of the Federal Insurance Office created by the Dodd-Frank Act, which has frequently operated outside its jurisdictional bounds.

• Saw passage of the landmark distracted driving legislation “Hands Free Georgia,” which prohibits holding an electronic device such as a mobile phone or tablet while driving.

• Pressed Congress and the Trump administration to maintain the National Flood Insurance Program through short-term extensions and through the brief lapse during the partial government shutdown, while supporting House-passed reforms to align rate with risk and increase private involvement in the flood market.

• Established NAMIC as the industry leader on the topic of automated vehicles, releasing two white papers, appearing before congressional hearings held by both the House Transportation and Infrastructure and Financial Services committees, and being heavily involved in shaping automated vehicle legislation under consideration by Congress.

• Worked closely with state advocacy partners in California to defeat or amend nearly 20 wildfire-related insurance bills that would have fundamentally altered insurance underwriting, coverage, and claims practices in the state.
A quick look reveals NAMIC PAC exceeded its 2018 fundraising goal by raising more than $587,000, which, when combined with the $562,000 raised in 2017, paved the way for NAMIC PAC to raise a total of $1,149,580 for the 2018 election cycle. This is a 6 percent increase from the 2016 election cycle; moreover, NAMIC PAC has grown an astounding 200 percent over the past five election cycles. NAMIC PAC currently ranks in the top 2 percent of the more than 2,900 association PACs.

2019 welcomes 100 new federal legislators, many new state legislators, and at least 11 new regulators who will be working on issues that affect our industry and your business. Such large numbers of newly elected lawmakers underscore the importance of a vibrant and active political action committee. As proof, many of these new lawmakers were elected with NAMIC PAC support, as the PAC invested more than $1.1 million to more than 350 federal and state candidates across 47 states — achieving an 87 percent election success rate.

NAMIC’s Congressional Contact Program is an additional tool among NAMIC’s political affairs programs, which helped carry the industry’s perspective to key legislators. In 2018, mutual insurers sent more than 180 participants to Washington, D.C., from 123 companies, representing 26 states to deliver industry messages to nearly 200 congressional offices.
New products, research, membership engagement, and information sharing took shape in 2018 under the direction of the Corporate Affairs Department. 2018 highlights include:

• The association met its membership goals in 2018, welcoming nine new insurance companies and eight new associates, adding more than $300,000 to the association’s dues support. Voluntary retention remained above 99 percent.

• In September, NAMIC revealed the Mutual Factor, the results of a comprehensive research initiative that combined a study on consumer awareness and perception of mutuals, with market performance data reinforcing the strength of mutual insurers.

• The culmination of a project begun in 2017, NAMIC unveiled a comprehensive array of compliance resources and tools designed to enhance member companies’ abilities to manage their compliance efforts. Resources include the new Legislative and Regulatory Tracking System, expanded compliance 50-state surveys, an online compliance discussion forum, as well as timely alerts and weekly updates on important compliance developments and deadlines.

• As part of ongoing efforts to provide members with a variety of means to get information, NAMIC launched the property/casualty insurance industry’s first podcast at the end of the first quarter. The new Insurance Uncovered podcast, delivered biweekly to NAMIC members and others, featured a wide variety of news and candid interviews with industry thought leaders, reaching nearly 7,500 listeners through iTunes and the NAMIC website.
MEMBER DEVELOPMENT

NAMIC continued to offer high-level educational programming throughout 2018. Association members drive the development and planning of NAMIC’s educational events, helping to make them a success. In 2018, NAMIC events:

- Enjoyed a strong satisfaction score of 97 percent and a 72 Net Promoter Score.
- Saw virtual education programs delivered to more than 15,000 representatives from nearly 350 companies.
- Continued specialized in-person education on emerging issues featuring a partnership with the University of Michigan and its MCity Test Track facility that focused on future autonomous vehicle research and distracted driving, connected living/IoT, and artificial intelligence.
- NAMIC continues to offer the only mutual-insurance-company-focused board educational programs for practicing good governance through the Directors’ Bootcamp and Farm Mutual Directors certification programs.
For more than 30 years, NAMIC Insurance Company, Inc., along with the NAMIC Insurance Agency, has been the leading source of insurance company professional liability insurance for NAMIC members and their business partners. Partnered with the agency as NAMIC Insurance Solutions, we work hard every day to live up to our slogan: Creative Solutions | Outstanding Service.

- Insuring more than 90 percent of the target NAMIC membership and thousands of members’ agents.
- Online policyholder support services from CyberScout for cyber exposures; Enquiron for employment practices training.
- Pool Distributions of more than $22 million over past 10 years; more than $55 million since the pool’s inception.
- Assets exceed $55 million at EOY 2018; surplus of nearly $29 million. GWP of more than $16 million in 2018.