THE YEAR IN REVIEW

NAMIC®

NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES

INSIDE

Outgoing NAMIC Chairman Sandy Parrillo making a presentation to Jim Kennedy as he begins his tenure as chair at NAMIC's 116th Annual Convention in Indianapolis, September 2011.

Like every chairman before us, we feel strongly that NAMIC is different from other insurance trade associations. Much of that difference is the result of a genuine "member-driven" approach to what we do. Alone among industry groups, we truly value the involvement of every member no matter the size or location of the company.

We believe that this special quality about NAMIC is what helps make our association not only unique, but successful, too. It is through your involvement in preparing, strategizing, and implementing your association programs and activities that our industry continues to move forward, to become stronger, and ultimately to allow our companies to better serve all policyholders.

From public policy research and development to advocacy at the state and federal levels of government, and from educational workshops and conferences to peer-to-peer networking opportunities, NAMIC helps you succeed because we all join together in the pursuit of common goals that would be too difficult to achieve if acting alone.

Each of our companies certainly faces trials and tribulations that are unique. But we also face significant challenges common to us all. NAMIC continues to dedicate the necessary resources to fight on your behalf for the cause of a competitive, free-market system of insurance, for underwriting freedom, and for the same kind of good-sense approach to public policy that we exhibit in the operation of our own businesses.

This review looks back on NAMIC's work in 2011 and illustrates amply why our member-driven efforts make a difference. If you have been actively involved in the past year, we thank you for your participation. If you have not been involved, we invite you to jump in and participate in a variety of ways … because your fellow members need you.

By doing so you can see for yourself what makes NAMIC special – and why we believe "the difference is in the experience."SM

Sandra G. Parrillo
Chairman, 2010-2011

James J. Kennedy
Chairman, 2011-2012

2011
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2011 is destined to be one for the property/casualty insurance industry record books. Record-setting weather catastrophes and lingering poor economic conditions continued to exert pressures on our industry in ways not often seen. And, as they do every year in state capitals as well as Washington, D.C., too many policymakers sought again to intervene in the private property/casualty insurance marketplace, mistakenly believing they know better than we do on how to best serve policyholders.

It was in this environment that our industry was forced to deal with a continued difficult market. Yet in spite of all odds mutual insurers continued to do in 2011 what they have done for more than 250 years: help policyholders rebuild. At year's end, policyholders and insurers were moving forward.

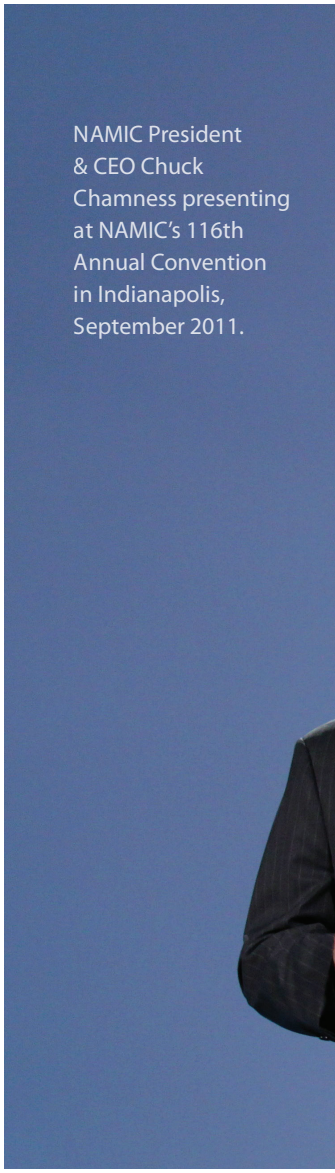
While no insurance trade association can influence Mother Nature or shape global economic conditions, one thing we can do – and continue to do – is fight to keep regulators from broadening their powers over NAMIC member companies. We also can – and did – continue to prepare members to better lead their companies and grow their businesses, in spite of the storms swirling around them.

Participation in our PAC set records in 2011, as more companies and more people contributed than ever before. We also set a record in the amount of contributions to the PAC, making it one of the five fastest growing insurance industry PACs in the nation. After 26 years, our Congressional Contact Program continues to set the industry standard for grassroots activity.

Involvement in our education programs and opportunities for networking continued to grow in 2011. Nearly 1,000 individuals participated in our State of the States webinars during the past year, while overall education event attendance is up 66 percent since 2002 to more than 3,600 in the past year. Satisfaction ratings for in-person events are averaging 99 percent.

This review highlights many of the major activities and successes that NAMIC had in the past year in a number of areas critically important to your future. Without your support and active involvement, these triumphs would have been far fewer – and the challenges facing the mutual property/casualty insurance industry today most certainly would be far greater.

Charles M. Chamness
NAMIC President & CEO



NAMIC President & CEO Chuck Chamness presenting at NAMIC's 116th Annual Convention in Indianapolis, September 2011.

ENSE OF MISSION

Our mission is to strengthen and support NAMIC members and the mutual property/casualty insurance industry by our leadership in advocacy, public policy, public affairs, and member services.

We are 1,400 property/casualty insurance companies serving more than 135 million auto, home, and business policyholders, accounting for 50 percent of the automobile/homeowners market and 31 percent of the business insurance market with more than $196 billion in annual premiums.

We are the largest and most diverse property/casualty insurance trade association in the country, with regional and local mutual insurance companies on main streets across America joining many of the country's largest national insurers that also call NAMIC their home. More than 200,000 people are employed by our organizations.

Through our advocacy programs we promote public policy solutions that benefit NAMIC member companies and the consumers we serve. Our educational programs enable us to become better leaders in our companies and the insurance industry for the benefit of our policyholders.

"The beautiful thing about NAMIC – anyone who gets involved, no matter the size of their company, will make a difference."

Eric Nelson
President and CEO
Mutual of Enumclaw Insurance Company (Wash.)

The National Association of Mutual Insurance Companies welcomed the following new members in 2011:

AREC A Insurance Exchange
Bankers Insurance Group
IAnet, Insurance Appraisal Network
Identity Theft 911
Intuitive Web Solutions
IssuersMutual Assurance Corporation
iter8 Inc.
Local Farmers Mutual Fire and Lightning Insurance Company
Olson Forrester Fox & Von Seldeneck
P-Solve Asset Solutions
St. George Capital, LP
SEH Computer Services
Springfield F&C Company
VISA, Inc.

While uncertainty over forces largely beyond insurers' control – weather and the economy – dominated many conversations among member companies throughout 2011, a NAMIC board-level task force led our association through a review of and improvements to our strategic plan for meeting future challenges.

In formulating a new strategic plan, the task force considered member responses to a needs-assessment survey, reviewed extensive discussions from a series of focus groups, and gleaned observations from informal discussions at numerous association events. By late July, the Board of Directors approved an updated strategic focus and plan for NAMIC, along with new statements on our vision, mission, and values.

Our vision statement now serves as an aspirational encouragement to us – as an industry and as an association – to contribute positively to society in ways that are financially sound, competitive, and ethical. The new mission statement gives emphasis to our association's commitment to the mutual insurance industry. The shared values and beliefs statement stresses that the full potential and ultimate success of our industry and association result from and are more dependent on member involvement. And a focus on ethical behavior is included as an essential element of that success.

The statement also clarifies and underscores the core-services operating philosophy at NAMIC as a unique and distinguishing feature of our innovative leadership among insurance company trade associations. This philosophy ensures that member dues are dedicated to the advocacy and public policy work of the association and do not subsidize other benefits that are available as options to members, such as education, insurance, web hosting, or other valued-added services.

Giving extra depth to these new statements is an updated strategic focus for NAMIC's core functions. Through these areas of focus, we are committed to specific areas of growth in advocacy and policy efforts, the addition of new communications initiatives in the public affairs arena, and expanded and enhanced services and products. The new strategic plan and focus will continue to enable NAMIC to be a leader in advocacy, public policy, and member services – with a new energy and increased focus on our place in and contributions to society.

For 116 years the name of our association has reflected the significance, the tradition, and the value of the mutual experience in the insurance industry. The future of this experience remains bright, and as an association we are now more focused, determined, and prepared than ever before.

THROUGHOUT OUR HISTORY, ADVOCATING FOR A RATIONAL PUBLIC POLICY APPROACH TOWARD THE BUSINESS OF MUTUAL PROPERTY/CASUALTY INSURANCE HAS BEEN A CENTRAL FOCUS OF NAMIC.

At the first annual convention of the association in Chicago in 1896, President William D. Forbes of the Farmers Mutual Hail Insurance Association in Iowa spoke of the need for cooperation among mutual companies in the legislative arena, either to secure enabling laws or to seek changes in existing laws.

In our earliest years, the job of advocacy was done by the members themselves without much support from the association. Today the personal, grassroots involvement of members in advocacy efforts is still vital and the most important key to success, but that work is now bolstered by a highly qualified government and policy affairs staff of nearly two dozen at the state and federal levels. As the first step in engaging members to be grassroots advocates for sound public policy, our state and federal affairs staffs monitor legislative and regulatory actions that can affect the ability of NAMIC members to be competitive in the marketplace while serving the needs of policyholders.

But keeping our eyes and ears open to potential threats is just one need that this on-the-ground presence fills. We are known and well-regarded for working collaboratively whenever and wherever possible with strategic allies to achieve common goals, joining coalitions and pressing our case with policymakers in person and through coordinated media campaigns.

2011 was an especially busy year for NAMIC advocacy efforts, with members and staff working on issues as varied as the federal tax imposed on small mutual insurance companies to the potential ban in some states on the use of credit-based insurance scores to international solvency standards.

"I make my living in the insurance industry, and I want to serve my company and policyholders well. But we're impacted by the regulatory environment, and my job gets harder if I don't stay involved."

Douglas Fincannon
President
Alamance Farmers' Mutual Insurance Company (N.C.)

IN THE STATES

Rate Modernization

At the state level NAMIC's top agenda priority was the adoption of modernization laws that create rate approval standards less restrictive than prior approval. NAMIC's state affairs managers were in state after state heralding the benefits of rate modernization and educating legislators on the logic of opening up markets. We were encouraged to see a growing number of lawmakers across the country recognize that their constituents truly benefit when the regulatory system moves away from restrictive rating practices and adopts a more competitive approach that promotes more competition and better pricing of products in the marketplace.

Four states passed significant modernization legislation this year. Tennessee passed a 15 percent flex-band based on the NCOIL model; Connecticut reauthorized its flex-band law for two years; Florida adopted a commercial lines modernization bill; and Texas passed legislation clarifying and streamlining the rate approval process for homeowners insurance. The NAMIC State Affairs team assisted state trade partners and industry colleagues to pass each proposal. But our job is not done; we will continue to work toward rate modernization throughout the country.

Underwriting Freedom

As legislatures around the country were wrapping up their sessions, NAMIC counted no less than 38 bills introduced in 19 states to ban or severely restrict the use of credit-based insurance scoring. While Nevada gave us a good fight, no bills were passed banning or significantly restricting the use of this underwriting tool. Throughout the course of the year, NAMIC worked diligently to ensure that these bills did not make their way into the law books by testifying before legislative committees, submitting written testimony, and investing much time educating legislators about the pro-consumer effects of this well-established underwriting and rating tool.

Civil Justice Reform

Civil justice reform has been a key plank in NAMIC's National State Legislative Agenda for several years, and each legislative season we ready ourselves to do battle against our perennial and formidable opponent – plaintiffs' attorneys. The trial bar is a public policy brute, with the money to back it up.

Across the country trial attorney associations continued to pursue anti-civil-justice reform initiatives that would erode tort laws providing them an unfair advantage.

Because of NAMIC's work behind the scenes, five states passed significant reforms to their tort systems in 2011. Kansas adopted "No Pay/No Play"; Oklahoma adopted a proposal capping non-economic damages at $350,000 and a bill eliminating joint and several liability; South Carolina placed limits on punitive damages; Texas enacted "Loser Pays" legislation; and, Wisconsin reversed the trial-bar-sponsored minimum auto insurance liability limits that were enacted the year before.

Natural Disaster and Coastal Issues

If these issues weren't enough, NAMIC's state affairs staff members also found themselves working with Gulf Coast and Eastern seaboard legislatures on catastrophe and natural disaster legislation. A number of states debated and enacted legislation in recent years imposing certain restrictions on insurers in the wake of Hurricane Katrina and other storms. NAMIC continued in 2011 to oppose efforts that place unfair burdens on insurers. We also continued to promote proposals based on

The State of the States Webinars

With nearly 1,000 employees of NAMIC member companies tuning in to 10 presentations, this popular series set record participation levels in 2011.

State of the State webinars are archived at www.namic.org/state/sosarchives.asp

January 24	A Conversation with NAIC President Susan E. Voss
February 28	Credit-Based Insurance Scoring Update
March 21	Preview of NAIC Spring National Meeting
April 25	Third-Party Financing of Litigation: Will States Legitimize This Questionable Practice?
May 23	NCOIL President and Louisiana Insurance Commissioner Discuss Surplus Lines Reform
June 20	NAMIC Staff Review of State Legislative Sessions
August 2	How Will Supreme Court Decisions on Class Actions Affect the Insurance Industry
October 24	No-Fault Auto Insurance: Is It Time For Reform?
November 21	Insurance and Social Media: Legal and Regulatory Risks
December 19	Preview of 2012 State Legislative Sessions

actuarially sound rating and loss mitigation. This year, Alabama established the "Strengthen Alabama Homes" program to aid homeowners in retrofitting properties to resist losses due to windstorm events. And in Texas, the Legislature adopted important reforms that restrict litigation against the Texas Windstorm Association.

These issues seem to never go away, but NAMIC and member companies faced other challenges this year – those emerging trends that can also erode the principles of a free and open business environment.

NAMIC has been fighting the implementation of accident response fees all across America for several years, and we haven't changed our course of defense: these fees are a form of double taxation that are forced only upon those responsible drivers who follow the law by carrying auto insurance.

During 2011, cash-strapped municipalities in at least 34 states – an increase of at least seven states from the prior year – charged accident response fees or were considering ordinances permitting such fees. Fortunately policymakers in 13 states understood that citizens already pay taxes to cover the costs of emergency calls. In our fight against this illogical issue, our state affairs managers used NAMIC's Issue Brief on the topic as an educational resource for legislators and the media.

NAMIC advocates for policies that enhance competition in the marketplace, and promoting competition is at the heart of our strategy in every state in the Union. Unfortunately sectors of the auto repair industry don't see it that way and are intensifying their efforts to pass legislation that would restrict consumer options regarding auto repair while also deliberately limiting information insurers can make available to consumers. This adds up to impairing the ability of consumers to make informed decisions on repairing their vehicles. In our view some proposals of this industry may in fact impose excessive restrictions on insurers' constitutionally protected commercial free speech.

Throughout 2011, NAMIC opposed all attempts to restrict or severely limit an insurer's ability to recommend an auto body shop to its policyholders or any laws that would not allow for the use of non-original-equipment parts.

On the regulatory level, our regulatory affairs staff engaged regulators at the National Association of Insurance Commissioners on many important issues, including the Solvency Modernization Initiative II, market conduct reform, company and producer licensing, and many other regulatory proposals. NAMIC's regulatory team chalked up significant victories by limiting the impact of the new ORSA proposal and by significantly altering a new corporate governance initiative at the NAIC. NAMIC state affairs staff also met with more than a dozen new commissioners in 2011.

Joe Thesing, assistant vice president – State and Policy Affairs, and Liz Reynolds, state affairs manager, Southeast Region, participated in The Florida Chamber of Commerce 5th Annual Insurance Summit, November 17-18, 2011.

IN WASHINGTON

Dodd-Frank and the Regulation of Insurance

The financial crisis that began in 2008 led to a massive restructuring of the financial services regulatory system with the 2010 passage of the Wall Street Reform and Consumer Protection Act, commonly known as Dodd-Frank.

Throughout the contentious debate on this issue, NAMIC came together with the rest of the property/casualty insurance industry to weather the potential legislative storm – and we achieved important successes. Chief among those was ensuring that legislative language was included in the creation of the new Federal Insurance Office that explicitly prevents it from becoming a de facto federal regulator.

The fact that the state-based system of insurance regulation performed well during the financial crisis along with the distinct nature of the mutual property/casualty insurance industry were critical to our efforts to prevent the creation of duplicative and overreaching regulation coming out of Washington. For example, we were able to have our industry excluded from the jurisdiction of the newly created Consumer Financial Protection Bureau, which will have considerable authority to intervene directly in the operations of most financial institutions. We also aggressively fought the inclusion of any property/casualty insurer in the Financial Stability Oversight Council's regulatory regime for financial institutions whose failure might threaten the U.S. economy.

NAMIC's message was clear and it was heard throughout Washington: property/casualty insurance and mutual insurers do not – and we believe cannot – pose a systemic risk to the economy, and regulators should devote their limited resources elsewhere.

Efforts to shape the implementation of Dodd-Frank in 2011 represented a new advocacy paradigm for us on the issue of insurance regulation in Washington. While our message has remained consistent, much of the focus has shifted to working directly with the regulatory agencies that are responsible for executing the provisions of Dodd-Frank. During the course of last year, we submitted 15 different sets of letters and comments to 10 agencies with our views on proposed rules and regulations that had the potential to impact NAMIC members.

While we were successful in keeping our industry out of the jurisdictional reach of the CFPB, NAMIC did submit comments to the bureau urging it to take every reasonable step to ensure insurance complaints and information be routed directly to the appropriate state insurance regulatory department and that no records be retained. As a result, the CFPB complaint website does not collect insurance information; instead it provides contact information to state insurance departments.

John T. Hill, II, president and COO, Magna Carta Companies, and former NAMIC chairman, participated in a panel at the U.S. Insurance Regulation and Improvement Conference held at the U.S. Treasury Department on December 9, 2011.

Comments submitted to the FSOC have guided the criteria it uses to help determine Systemically Significant Financial Institutions – those criteria seem designed to exclude all property/casualty insurers. Similarly, comments submitted to the FSOC and other agencies on potential restrictions on proprietary trading by financial institutions have guided the FSOC to recognize the difference between insurance and others in the financial services industry.

Much of the agency interaction has been – and will continue to be – preventive in nature. One of the FIO's first assignments was to conduct a study on the modernization and improvement of the insurance regulatory system in the United States, the results of which are due to Congress on January 21, 2012. Although the FIO is legally barred from developing a regulatory capacity, we are concerned that because mission creep occurs naturally with any bureaucracy the FIO may seek more authority to oversee our business. In December, NAMIC submitted comments to the Treasury Department stating our views on how the state-based regulatory system, while not perfect, ensured stability and helped protect consumers during the 2008 financial crisis. We also cautioned against adding burdensome and duplicative regulations that would inevitably lead to excessive costs for insurers and their policyholders.

We remain engaged on the issue of insurance regulation on the legislative front as well. NAMIC has and will continue to exploit every avenue available. In addition to keeping lawmakers on Capitol Hill informed about what the executive agencies are doing, we have also been advocating for legislative remedies to potential problems that could arise from Dodd-Frank implementation. In November, the House Financial Services Subcommittee on Insurance, Housing and Community Opportunity considered insurance-specific "corrections" measures for the Dodd-Frank Act, with a focus on areas where NAMIC and others in the industry had raised concerns. We were instrumental in helping committee staff craft this legislation and pushing for its eventual passage out of the subcommittee in December.

We remain vigilant and will work to ensure the new federal agencies – in particular the FIO – created by Dodd-Frank do not become sources of conflicting new regulations. Additionally, we will remain fully committed to maintaining our seat at the table when it comes time to discuss appropriate ways in which Washington can help improve the insurance regulatory system in the United States. We believe that, fulfilling its properly limited role, the FIO does have a potential to be a valuable resource in efforts to continue modernizing and streamlining the state-based regulatory structure.

Former NAMIC Chairman John T. Hill, II, with FIO Director Michael McRaith.

"I can do all kinds of things on the state level, but on the federal level, I'm nothing. I need that kind of representation, and NAMIC just happens to be very good at it. I've seen how good and effective they are."

Stuart Henderson
President and CEO
Western National Insurance Group (Minn.)

FIO Director Michael McRaith

Michael McRaith, former director of the Illinois Department of Insurance, became the first director of the FIO in June. In August NAMIC spoke to him about the potential impact on NAMIC members resulting from the downgrade of the United States sovereign credit rating by Standard & Poor's. In the discussion we indicated to him that we did not believe our members were making significant shifts in fixed-income investment portfolios as a result of the downgrade and that the top concerns were over the broader economy, interest rate trends, and swings in the equity markets.

NAMIC President and CEO Chuck Chamness met with Director McRaith on November 17 in Washington, D.C., to discuss the substance of our priority topics on regulatory modernization and improvement. We took the opportunity to state that NAMIC supports a reformed system of state-based insurance regulation. We also identified several areas of concern with the state system – namely, rate regulation, market conduct, and producer and agent licensing issues.

NAMIC urged Director McRaith to engage the international community and ensure that at every negotiating table someone who understands the business of insurance and the U.S. system in particular is present. We also observed that Director McRaith could play a valuable role as a watchdog of other federal agencies when they unintentionally – or not so unintentionally – overstep their authority to the detriment of our industry and insurance policyholders.

On November 21, NAMIC's federal affairs staff visited Treasury for yet another meeting with Director McRaith, this time as a member of the Coalition Organized for the Future of Insurance Regulation. COFIR's message reiterated and reinforced what NAMIC had said before, further establishing our relationship with the insurance office.

We also were invited to participate in the office's first conference on regulatory modernization in December, where we provided a panelist to speak about consumer protections and the business of insurance.

FIO Director Michael McRaith at the U.S. Insurance Regulation and Improvement Conference on December 9, 2011.

In His Own Words

FIO Director Michael McRaith testified before Congress on October 25 for the first time. His written and oral testimony were both largely restatements of the statutory authority granted to the FIO under Dodd-Frank; he did not circumscribe the ability of the FIO to engage on issues in the future. For its part, the subcommittee held the hearing to engage with the new director and make clear that the subcommittee was taking its oversight function seriously.

During the hearing, Director McRaith stated that the property/casualty insurance industry is largely competitive and that companies engaged in the traditional business of insurance did comparatively well during the financial crisis. He also categorically rejected the notion that the collapse of AIG was somehow a failure of insurance regulation, by clearly stating that it was not the insurance divisions of AIG that were the problem.

Director McRaith also made clear that he understood that the "FIO is not a regulator." Later he reiterated that "the Dodd-Frank Act is explicit – FIO is not a regulator and not a supervisor." That said, he twice volunteered that one of the key missions of the FIO would be to look at low-income communities – those traditionally "underserved" by the financial services industry. It is not yet clear what the FIO may or can do in this area, but it remains matter of potential concern.

NAMIC President & CEO Chuck Chamness presents a Service Award to Julie Rochman, president & CEO of the Institute for Business and Home Safety.

Building Codes and Disaster Mitigation

2011 welcomed a new, drastically different Congress, with many of its members elected on a platform of reducing government spending. Last year also saw a historic number of catastrophic weather events, with 99 major disaster and emergency declarations by the federal government, costing enough to raise concern in Congress.

We provided the answer to the questions of how to reduce losses from catastrophes and how to reduce the expenses of recovering from them for taxpayers: stronger building codes that are more effectively enforced at the state and local levels.

In virtually any catastrophe, stronger buildings have been shown to be the most effective way to prevent losses and, most importantly, save lives. Research has shown that every dollar spent on mitigation can save $4 in recovery costs, and the work being done by the Institute for Business and Home Safety showed that small, low-cost measures are the most effective means of mitigating against severe weather.

NAMIC founded the BuildStrong Coalition to encourage stronger and safer buildings. www.buildstrongamerica.com

NAMIC brought new energy to the advocacy effort for stronger building codes, founding a new coalition, BuildStrong, to bring much-needed attention to this issue. The BuildStrong coalition provides an opportunity for NAMIC to bring together others in the insurance industry, as well as municipalities, firefighters, emergency managers, and those in the building industry to support measures encouraging stronger and safer buildings.

Rep. Mario Diaz-Balart, R-Fla., introduced the Safe Building Codes Incentive Act (HR 2069). Through our lobbying efforts, as well as our grassroots Congressional Contact Program, NAMIC helped garner support for the bill from lawmakers across the country – from Washington state to Florida and from California to New York. Additionally, we successfully inserted this legislation into the Disaster Recovery Act (S. 1630) introduced by Sen. Mary Landrieu, D-La.

The NAMIC-led BuildStrong campaign on Capitol Hill included a congressional briefing in cooperation with the High-Performance Building Congressional Caucus and the Congressional Hazards Caucus. BuildStrong also hosted a Disaster Mitigation and Building Codes Roundtable Luncheon in Orlando, Florida, on October 24 and placed opinion pieces in support of the bill in the Orlando Sentinel, Richmond Times Dispatch, Sacramento Bee, the Albany Times Union, and Roll Call.

NFIP Reform and Reauthorization

The National Flood Insurance Program was again subject to a series of short-term extensions in 2011. First reauthorized through September, the program was then extended into November, and then December before Congress adopted an extension through May 2012 before adjourning for the year.

While simply keeping the program running without a lapse represented an improvement from 2010, we did see substantial progress toward passage of long-sought reforms and a long-term reauthorization of the NFIP.

NAMIC Chairman Sandra Parrillo testified before the House Financial Services Subcommittee on Insurance in March, outlining our vision of NFIP reforms that are needed to be successful. In her testimony, she told Congress that "the NFIP must begin charging risk-based rates if it is to have any chance of being a solvent program; these rates should reflect the true cost of providing coverage." Recognizing that actuarial rates may be difficult for some homeowners, she cautioned that efforts to assist them should be done separately from the NFIP itself. "Any subsidies that the government believes are necessary must be independent of the NFIP and fully transparent," she said. "Subsidies cannot continue to be hidden within the insurance mechanism, and homeowners should be fully aware of the real risks and costs of where they live."

The ensuing legislation introduced by Rep. Judy Biggert, R-Ill., mirrored the principles presented in the NAMIC testimony. The Flood Insurance Reform Act of 2011 (H.R. 1309) would phase in more accurate risk-based pricing for flood insurance to strengthen the NFIP's financial standing and establish a Technical Mapping Advisory Council. It would also increase the authority of the program to deny coverage for repetitive loss properties whose owners refuse mitigation assistance.

With our support the legislation moved swiftly, winning unanimous support from the House Financial Services Committee. We also advocated for the bill in the days before a full House vote, where it passed with 406 votes – a rare display of strong bipartisanship amid the gridlock of the 112th Congress.

We opposed misguided efforts by some lawmakers to eliminate the NFIP. Noting the history of flood insurance – the lack of any market for coverage was what led to the creation of the NFIP – and the potential costs to the government absent an insurance mechanism, we made a strong case for continuing the program. The proposal to terminate the NFIP failed with 384 members of the House voting against it.

In the Senate, reform legislation made similar progress, having been approved by the Senate Banking Committee with no opposition. In December, some senators spoke openly about the need for a vote on the bill but by the end of the year it was still awaiting a full Senate vote. We continued our push for a comprehensive flood insurance reform bill by helping orchestrate a bipartisan letter from senators calling for a floor vote in the Senate in early 2012.

The differences between the House and Senate versions of NFIP reform are minor and largely technical in nature. In conversations with congressional staff, we have received optimistic assessments that those differences can be easily bridged. We will continue working with the Senate to get a vote on the bill and the measure signed into law.

Auto Issues

NAMIC serves as the vice chair of the Quality Parts Coalition, a group composed of insurers and aftermarket auto part manufacturers and distributors dedicated to preserving competition in the aftermarket for collision repair parts. Along with the coalition, we were able to win the support of Rep. Darrell Issa, R-Calif.

Rep. Issa initially favored the idea of a bill that would allow design patents for 14 years. But NAMIC and the coalition noted this would have the same effect as allowing patents on a longer basis. After a mid-November meeting, the congressman agreed to a two-and-a-half-year design patent enforced as of the first sale globally. During that time, competitors would be allowed to manufacture, distribute, and advertise the aftermarket parts product; however, an actual sale of the competing product would be prohibited.

To find out more about how the Quality Parts Coalition is working to keep auto parts affordable, visit www.keepautopartsaffordable.org/index.html

Patent Reform

The U.S. patent system has seen an explosion in applications for business-method patents stemming from a 1998 Federal Circuit Court decision that eliminated the business-method exception to patentability.

NAMIC joined with the Financial Services Roundtable and others in July in urging the Senate to vote on the House version of the bill. Section 18 of that bill went further than the Senate version toward limiting the ability of non-practicing entities (known derogatorily as "patent trolls") and their trial attorneys to abuse low-quality, business-method patents and disrupting the operations of many financial institutions. NPEs exploit flaws by filing lawsuits involving low-quality, business-method patents with the expectation of securing large settlements.

Due in large measure to our work, the Senate took up the House bill its first week back from August recess. With the financial services sector we sent state-by-state letters to senators urging passage without amendment when the legislation was brought to the floor. Adopted by both chambers of Congress, the bill was signed into law by the president on September 16.

Small Mutual Insurance Update

Under Section 831(b) of the Internal Revenue Code, small property/casualty insurers with direct or net written annual premiums not exceeding $1.2 million may elect to be taxed on their net investment incomes. This provision, enacted in 1986, had not been adjusted to reflect the last 25 years of inflation. Accounting for inflationary increases in the last quarter century, the investment income election should be $2.39 million.

The Small Mutual Inflation Update (HR 2198) was introduced in June by Rep. Erik Paulsen, R-Minn., with co-sponsors Joe Donnelly, D-Ind., and Aaron Schock, R-Ill. If enacted, the bill would increase the alternative tax liability limitation for small property/casualty insurance companies to account for inflation since 1986 and index the threshold to future inflation.

Congress did not address many tax issues in 2011, instead hoping to tackle the issue in 2012. Through NAMIC's efforts, the Small Mutual Inflation Update has earned the support of key committee chairmen and leadership and has become a part of the discussion. We will continue working to ensure it is included in any tax reform legislation.

1099 Expense Reporting

The president signed legislation on April 14 that repealed a 1099 reporting provision in the healthcare reform law. Had the repeal not been enacted, any business expense of more than $600 in a single year would require the filing of a separate 1099 form with the Internal Revenue Service beginning in 2012. Current law requires a filing for those expenses paid to an unincorporated entity, but the new requirement would require filings for mundane expenses such as phone, Internet service, and office supplies.

NAMIC quickly began its work to get the 1099 provision repealed as soon as the healthcare bill was adopted in 2010. We served as the voice of the property/casualty insurance industry in a broad coalition opposed to the new requirements. As part of the opposition, we provided to members of Congress and the media the real-world impact this provision would have not only in terms of the filings themselves, but the cost and resources required for companies to prepare for the change.

At a minimum, legislative proposals on third-party funding should include the following provisions:

- Third-party funding should not be allowed in class action settings or to finance mass tort litigation
- Interest rates on funds advanced under third-party financing arrangements must be limited to a "reasonable" amount
- Third-party funding must be restricted to actions by individual plaintiffs for torts involving personal injury
- The amount that can be taken as loan repayment from the net recovery should be limited to a percentage of the net recovery
- Litigation funding companies should not be allowed to make referrals to attorneys on behalf of a potential plaintiff, nor accept advertising from attorneys on their websites or in their marketing materials
- Attorneys should not be allowed to have a financial interest in a litigation funding company
- Litigation funding companies should not be allowed to exert influence over the plaintiff's decision to settle or to otherwise direct the course of the litigation

PUBLIC POLICY
DECISION MAKING & ANALYSIS

Fighting a Questionable, Costly Scheme: Third-Party Litigation Funding

"Third-Party Litigation Funding: Tipping the Scales of Justice for Profit" – an issue analysis paper published in May – critically examined the business of litigation funding, described various forms of third-party litigation funding, and analyzed its effect on attorneys, plaintiffs, defendants, insurers, and the civil litigation system as a whole.

Litigation funding is relatively new to the U.S., but it is rapidly becoming a cottage industry in this country and, we believe, has the potential to radically change the legal landscape and the civil justice system in ways that are mostly negative.

Several state legislatures considered legislation in 2011 to regulate such funding. So far, however, these efforts have focused mainly on a particular corner of the litigation funding industry – non-recourse loans to individual plaintiffs – and have been limited to marginal "consumer protection" measures, such as setting standards to improve transparency in the terms of the funding arrangement. Such measures have been inspired by anecdotal evidence of deceptive sales tactics and other abuses by funding companies that cater primarily to individual plaintiffs.

Yet in many cases, the litigation funding industry itself has drafted and promoted these measures, in part to placate policymakers and consumer advocates concerned about consumer welfare, but more importantly, to establish third-party litigation funding as a legitimate business enterprise in jurisdictions where it may currently be unlawful.

We believe that sufficient grounds exist for enacting a blanket prohibition against the practice of third-party litigation funding. For those policymakers who believe that the practice can be tamed through regulation, we hope that this paper at least convinced them of the need for policy measures that would limit the negative economic and legal impacts of litigation funding.

Legislative efforts like this across the country are an attempt to legitimatize a practice that has traditionally been dismissed by the legal community as unethical and harmful to the community. We worked closely with members and state trade partners to defeat bills this year in Illinois, Indiana, Maryland, Nevada, and Tennessee.

Crafting legislation that is truly effective cannot be done in a piecemeal fashion. Moreover, it will require a careful and thorough analysis to ensure that all the necessary elements are ultimately included in the legislation.

You can find the complete third-party issue analysis report at www.namic.org/pdf/publicpolicy/1106_thirdPartyLitigation.pdf

No-Fault Insurance at 40: The Experience in Florida

2011 marked the 40th anniversary of the first state implementation of a no-fault law. Between 1971 and 1975, 15 additional states and the District of Columbia followed suit. To commemorate the anniversary, NAMIC prepared a major public policy paper analyzing the potential future of no-fault. Pending publication of that paper in early 2012, a special Issue Brief that examined the no-fault experience in Florida was released in November to coincide with increased calls for no-fault reform in the Sunshine State.

Florida was the second state to adopt a no-fault law, which went into effect on January 1, 1972. Since then, the law has undergone many changes, including going from a dollar threshold to a verbal threshold in 1976. On the personal injury protection side, the level of benefits increased from $5,000 to $10,000 in 1978.

A recent RAND study included compelling data to demonstrate greater utilization of, and higher reimbursement rates for, PIP medical benefits than for similar health insurance benefits. Why? Florida and other no-fault laws did not keep up with changes in cost control mechanisms. In addition, auto insurers lacked the clout that health insurers had to negotiate deep discounts for hospital and medical services.

Through the years, Florida's PIP coverage has been plagued by escalating claims costs, high utilization rates for expensive diagnostic services, high chiropractor utilization rates, high rates of attorney involvement, and high rates of apparent claim fraud and claim buildup. Further, in a system designed to deliver medical benefits promptly without the need for attorneys, Florida claimants also use attorneys far more often than claimants in other no-fault states, resulting in much higher PIP claims.

The complete report on the history of no-fault insurance in Florida is available at www.namic.org/pdf/publicpolicy/110711FloridaNoFaultBrief.pdf

NAMIC Experts Help Educate Other Experts

Appearances by **Dr. Robert Detlefsen**, vice president – public policy:

PANELIST

- Florida Chamber of Commerce
  Insurance Summit
  January 27 | Orlando, Fla.
- United Nations Global Roundtable
  Environment Programme Finance Initiative
  October 20 | Washington, D.C.

PRESENTER

- National Council of Insurance Legislators
  Third-Party Litigation Lending
  November 18 | Santa Fe, N.M.
- Indiana Certified Public Accountants Society Financial Conference
  Public policy issues affecting property/casualty insurance industry
  December 15 | Indianapolis, Ind.

EXPERT WITNESS

- Maryland Insurance Administration
  Coastal property insurance availability and affordability
  December 13 | Baltimore, Md.

In recent years the Florida Legislature reacted to each surge in no-fault premiums with efforts to reform the PIP system. Among the controls adopted during major legislative battles were a workers' compensation fee schedule for certain medically necessary procedures, a medical fee schedule for some providers, and more funding for anti-fraud efforts.

More stringent changes were defeated, as was a 2011 effort by some Florida legislators to make further changes, including increased penalties for medical providers who knowingly submit false and fraudulent applications for clinics that treat crash victims. The most recent effort failed despite a run-up of PIP pure premium costs (the cost of these losses to the insurer) from $100 in the fourth quarter of 2008 to approximately $150 in the fourth quarter of 2010.

For all of its efforts, the Florida Legislature has always seemed a step behind trying to combat the latest healthcare tactics. The result, over time, has been runaway increases in PIP costs. Our Issue Brief showed that between 1995 and 2003, PIP pure premium in Florida rose an average of 6.73 percent, nearly twice the 3.51 percent rate of the Consumer Price Index – Medical Inflation Index and that between 1997 and 2007 the average total payment rose 70 percent versus an increase of 50 percent in the CPI – Medical Inflation Index. From the fourth quarter of 2008 through the first quarter of 2010, PIP costs rose 40 percent, and the Insurance Research Council estimates the increase will be 50 percent measured to the fourth quarter of 2010.

The original no-fault model envisioned a "verbal" or descriptive threshold as an essential component of a good no-fault law. The rationale was that a threshold that permitted suits for pain and suffering only in cases of both "serious" and "permanent" injury would eliminate most lawsuits, thus offsetting the costs of PIP benefits. It would also make sure that pain and suffering damages would be available only to people in the greatest need. However, the Florida law failed to combine the terms "serious" and "permanent," thereby leaving enough wiggle room for lawyers to argue, and juries to find, that relatively minor injuries crossed the threshold.

NAMIC's Issue Brief offered Florida lawmakers two specific recommendations for retaining the compensation benefits of no-fault while lowering premiums dramatically by reducing the excessive costs caused by PIP and threshold abuses. These recommendations were to:

- Make the PIP system identical to the insured's health insurance. The RAND findings and the data suggest there would be significant savings by establishing health primacy (i.e., having health insurers pay for losses in auto accidents), having health primacy with subrogation against PIP benefits, and applying the insured's health insurance constraints to PIP claims.

- Give motorists the option to limit suits for pain and suffering beyond existing law in return for lower premiums. For Florida, the estimated savings would have been $4.11 billion per year if all drivers elected the tighter threshold option (the second highest of any state), with an average per vehicle savings of $328.

These two immediate reforms would allow Florida consumers to save billions of dollars on the cost of insurance. As the NAMIC Issue Brief stated, it is a question of whether, when families are squeezed by governments' efforts to rein in deficits and debt, legislators see a different political calculus that will enable them to defy the players invested in the present wasteful system and permit citizens to take advantage of opportunities to help offset the new economic burdens.

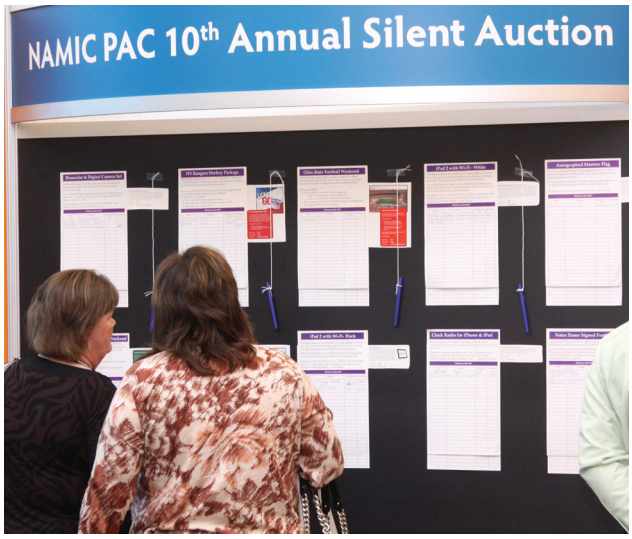
WHEN IT COMES TO ADVOCATING ON BEHALF OF OUR INDUSTRY – AND FOR THE FUTURE SUCCESS OF MUTUAL INSURERS IN PARTICULAR – THERE ARE NO BETTER CHAMPIONS THAN NAMIC MEMBERS.

"After I started going on the CCP trips, I saw how valuable it was and how important it is to us as an industry."

Linda Wares
Office Manager and Secretary
Belvidere Mutual Insurance Company (Ill.)

Through our NAMIC PAC, the Advocacy Fund, the Congressional Contact Program, the Key Contact Program, the Legislative and Regulatory Information Service, and the Legislative Action Center, NAMIC empowers and enables the leaders of member companies to be heard on the issues that affect our industry and our economy.

A Silent Auction at the NAMIC convention in Indianapolis raised more than $60,000 to boost contributions to NAMIC PAC for the year by more than 25 percent. The PAC emerged at year's end as one of the five fastest growing political action committees in our industry.



NAMIC PAC

Out of 120 insurance industry political action committees, NAMIC PAC emerged in 2011 as one of the five fastest growing as it raised more than $344,000 for the year. With employees from 61 new participating companies, there were by the end of the year 197 NAMIC member companies and 945 individual participants involved in the PAC's efforts. In addition, member companies that make up the PAC's Top 10 included companies that increased their participation by more than 20 percent.

The PAC's largest fundraising push for the year occurred during NAMIC's annual convention in September, when we raised more than $60,000. This effort helped the PAC increase funds raised by 25 percent in 2011 over the prior year. As a result, NAMIC PAC set a record for contributions to candidates by disbursing more than $275,000. The election year of 2012 is expected to be another record year for both fundraising and candidate support. The PAC seeks to raise at least $700,000 for the two-year election cycle and to invest as much in the election year to help federal and state candidates who understand and support our industry.

Advocacy Fund

NAMIC can find itself fighting battles using methods that require additional special funding to defend and promote an open and competitive insurance marketplace free of unnecessary regulation, wasteful and frivolous litigation, and onerous taxation. These activities may include engaging in voter awareness campaigns, participating in issue or industry coalitions, issuing legal briefs on behalf of the industry on important litigation, and funding legal challenges to state agency actions.

Because federal law restricts certain activities by political action committees (prohibiting corporate contributions, for instance), the Advocacy Fund allows NAMIC to engage in special projects that are supported by voluntary corporate contributions from member companies. Such contributions also enable NAMIC to focus all member dues in support of core association services. Each member's annual dues invoice suggests a voluntary, minimum corporate contribution amount for the Advocacy Fund based on that member's DWP. While members are encouraged to contribute at the suggested level, any amount is acceptable and appreciated.

Darwin Copeman, president and chief executive officer of Jewelers Mutual Insurance Company, presents Linda Wares of Belvidere Mutual Insurance Company with diamond earrings at a NAMIC PAC reception.

Congressional Contact Program

NAMIC's Congressional Contact Program, now more than a quarter-century old, is widely recognized as the property/casualty insurance industry's premier grassroots action program. Our success continued in 2011 as 250 representatives from 172 member companies went to our nation's capital to meet with key lawmakers.

During these visits, CCP participants educated legislators about their companies, their policyholders, and their place in the insurance marketplace. Equally important, these participants were passionate in sharing their concerns on issues important to the property/casualty insurance industry and the future of mutual insurance.

By the end of the year, NAMIC member company representatives had visited 300 congressional offices on 33 days.

Key Contact Program

NAMIC carefully watches events in Washington, D.C., and across the country. When a hot topic arises for which we need grassroots support for or against, we activate our Key Contacts, those member company representatives who personally contact their elected federal officials to advocate our positions on important legislative issues. NAMIC considers Key Contacts as our industry's experts who provide government officials with real life perspectives on the benefits or consequences of proposed legislative or regulatory issues.

We supply to Key Contacts detailed materials such as essential issue information and sample letters that provide the necessary background so they can make personal visits, make a phone call, or write a letter to their elected officials about the issues that are important to NAMIC member companies.

These men and women who are Key Contact members recognize the difference that individuals can make in the legislative process on behalf of the profession, their clients, and the public.

Legislative and Regulatory Information Service

Use of NAMIC's Legislative and Regulatory Information Service, available free of charge to all NAMIC member companies and their employees, increased 28 percent in 2011 over the prior year.

LARIS provides fast, accurate, and reliable information on more than 175 unique property/casualty insurance categories and subcategories to more than 250 member companies that find the customized reports easily organized by issue and state. A mapping feature tracks bills in a graphic format, and links take users directly to a bill's full text.


LOGAN CAPITAL

Our annual convention is the one time each year when more NAMIC members gather in one place to share ideas, learn about emerging practices, and simply catch up with friends. The Exhibit Hall again proved to be a popular meeting place between sessions.

NAMIC IS A RECOGNIZED LEADER IN PROVIDING VALUABLE EDUCATIONAL EXPERIENCES TO THE MUTUAL PROPERTY/ CASUALTY INSURANCE INDUSTRY.

2011 NAMIC
Conferences, Seminars & Workshops

	Attendance
EXECUTIVE DEVELOPMENT	
CEO Roundtables	98
Directors' Education	40
Financial Focus	29
Investment Workshop	29
Management Conference	226
STAFF DEVELOPMENT	
Agriculture Risk Inspection	135
Claims Conference	190
Commercial Lines Seminar	212
Leadership Development Workshop	30
Communications & Marketing Workshop	39
HR Seminar	44
Personal Lines Seminar	143
Social Media Workshop	25
Legal Issues Virtual Seminar	20

Through an active committee structure, all of our program agendas are developed by member company executives representing the breadth of the NAMIC membership. Every member has the opportunity to shape program development by providing feedback through surveys and post-event evaluations.

Education events are segmented to benefit the diversity of NAMIC membership. The Property Casualty Conference serves multiline companies, while the Farm Mutual Conference serves the needs of farm mutual or co-operative companies throughout the U.S. and Canada. Within the educational calendar, members find opportunities for staff, executive, and board development.

Attendance rose 11.3 percent over the previous year, with participants giving these events a 99 percent satisfaction rating.

Networking/idea exchange is the number one reason members keep coming back to our events. High-quality programming is a very close second. It is clear that members find great value in NAMIC events.

Farm Mutual Director Certification Program Grows

NAMIC introduced a certification program in 2007 designed for farm mutual directors. Our Farm Mutual Director Certification Program formally recognizes the educational accomplishments and dedication to professionalism of farm mutual directors, with certification earned through the participation in a series of director courses specifically designed to enhance board members' knowledge to provide effective strategic direction for farm mutual insurance organizations. The designation also recognizes a board member's commitment to education and professionalism.

Courses are offered through the year by state associations and NAMIC. The FMDC Program is comprised of three modules: the Management Module, the Operations & Insurance Module, and the Finance & Accounting Module. To attain a designation, a director must complete four courses from each of these modules within five years of enrollment; to maintain the designation, a director must then complete at least four hours of coursework every two years.

In 2011 there were 131 farm mutual directors who were certified by the NAMIC program.

Welcome Home to Indiana

More than 1,600 attendees "came home" to Indianapolis – where NAMIC's national headquarters is located – the third week of September for what turned out to be one of our most successful conventions.

Big-name guest speakers, including retired General Stanley McChrystal, former Harley-Davidson communications director Ken Schmidt, and Pulitzer Prize-winning political commentator Charles Krauthammer, inspired and intrigued the crowd during the large general sessions. Two dozen other speakers and experts led delegates through presentations about myriad industry issues and business topics, including the legislative landscape, mutuality, mergers and acquisitions, board governance, reinsurance, and many others, during smaller break-out sessions.

Our 2010-2011 Chairman Sandra Parrillo shared her experiences from her year as chair and urged the audience to continue to spread the word about the good work the property/casualty insurance industry does. President and CEO Charles Chamness spoke of mutuality and the common bond it provides NAMIC members. After Chairman Parrillo passed the gavel to 2011-2012 Chairman James Kennedy during the Annual Meeting of Members, he encouraged those present to "be leaders no matter where you are."

The convention's Exhibit Show provided opportunities for attendees to learn about and speak with representatives from more than 80 companies that serve the property/casualty insurance industry.

But it wasn't just all business for attendees. The fun began even before the official convention kick off. Many attendees tailgated and visited Lucas Oil Stadium, site of Super Bowl XLVI, when the Indianapolis Colts took on the Cleveland Browns. Several breakfasts, dinners, and receptions added some fun and opportunities to chat with old friends and make new ones during the three-day event.

Several tours offered delegates and their guests the chance to get a better feel for our home city, and the annual Griffith Insurance Education Foundation Golf Classic and Fun Run & Walk allowed delegates to get some fresh air and exercise while donating to good causes – insurance and risk management education and the St. Baldrick's Foundation that supports research to find a cure for children's cancer.

The convention festivities concluded Wednesday evening, with the Diamonds and Champagne Reception benefitting the NAMIC political action committee, the closing banquet, and musical performances by Indiana-native Jason Wilber and Grammy Award-winning Emmylou Harris.

NAMIC's 117th Annual Convention will be held in Grapevine, Texas, September 16-19, 2012.

Top: Chuck Chamness greets General Stanley McChrystal.

Center: Marketing expert Ken Schmidt.

Bottom: Political Commentator Charles Krauthammer.

"We are all much 'richer' in the best way from all of our NAMIC experiences. I'm already looking forward to Grapevine."

Donna Brekke
Farmers Mutual Fire Insurance Company & MAMIC (Mont.)

CHAIRMAN'S AWARD

Robert P. Hartwig, Ph.D., president and chief executive officer of the Insurance Information Institute, was our 2011 Chairman's Award recipient. NAMIC Chairman Sandra Parrillo announced the award at NAMIC's 116th Annual Convention.

Dr. Hartwig has been with III since 1998, initially as an economist, and, since 2007, as president and CEO. He has worked tirelessly to improve the understanding of key insurance issues across all industry stakeholders, including the media, consumers, regulators, and legislators.

The NAMIC Chairman's Award was created to recognize leadership, accomplishment, and outstanding service to our association and the property/casualty insurance industry.

NAMIC MERIT AWARD

Dan DeArment, president and CEO of Friends Cove Mutual Insurance Company in Bedford, Pa., is a member of NAMIC's Farm Mutual Conference board and is also a part of the Farm Mutual Conference Strategy Committee. He is a certified Professional Farm Mutual Manager and has participated in numerous NAMIC conferences and seminars, including four events in 2011.

Steven Morris , manager of Dupont Mutual Insurance Company in Marion, Wis., is currently working to receive his PFMM certification. He has participated in many NAMIC educational events, and he served on the Loss Control Committee from 2006 until 2010.

The Merit Award was established in 1973 to stimulate the advancement of professionalism in the insurance industry. It is designed to encourage individual professional development of persons associated with NAMIC members and to recognize those individuals who demonstrate educational attainment, service, or contributions through NAMIC or state/provincial association activities. At the end of 2011 there were 172 active members of the Merit Society.

PROFESSIONAL FARM MUTUAL MANAGER OF THE YEAR

Douglas Fincannon, president of Alamance Farmers' Mutual Insurance Company, Graham, N.C., was our Professional Farm Mutual Manager of the Year. He was presented the award at the NAMIC Farm Mutual Conference annual business meeting held in conjunction with the annual convention.

Mr. Fincannon, who was also named FMC board chairman during the convention and will sit on NAMIC's board of directors, has more than 13 years of experience in the industry. He has been an integral part in the success of the insurance company, working tirelessly in preparing the company for the future through technology, product development, and forward thinking. Through the years, he has spearheaded the growth of the company from a six-county service area/property-insurance-only insurance writer to a statewide multiline carrier.

He also serves as secretary for the North Carolina Association of Mutual Insurance Companies and has served on his county's board of commissioners as well has holding various positions in other local organizations.

The Professional Farm Manager of the Year award was created in 2002 to recognize the achievements of a farm mutual manager who is dedicated to excellence in mutual insurance company management. Recipient selection is based on excellence in marketing, administration, and financial ability as well as involvement in national and state associations and the local community.

2011 Service Award presentations were made at the 116th Annual Convention in Indianapolis, Indiana. From top to bottom: John Beavers, Chris Reynolds, and Julie Rochman

SERVICE AWARDS

Four individuals were recognized for their contributions to the service of our industry during the annual convention

John Beavers has been managing partner with Bricker & Eckler, LLP, for more than 11 years, where he established and directs its Counsel for Boards and Executives practice. In that capacity he advises and represents governing boards, their committees, and their executives regarding duties and responsibilities in providing direction and in overseeing matters critical to the success of their organizations. He is an experienced speaker at NAMIC and the Ohio Association of Mutual Insurance Companies conferences.

Lars Powell, Ph.D., is an applied financial economist specializing in insurance and risk management. Most of his research is focused on the intersection of regulation and markets in the insurance industry, but has also published research on insurance fraud, insurer operations, and insurer capitalization. Dr. Powell authored the 2007 NAMIC Issue Analysis paper "The Assault on the McCarran-Ferguson Act and the New Politics of Insurance in the Post-Katrina Era," in which he dismantled the myths and misconceptions surrounding McCarran and used sophisticated economic analysis to demonstrate the harm that repealing McCarran would do to insurance markets and consumers.

Chris Reynolds is president of business development at Intuitive Web Solutions, an Internet software firm specializing in solutions for insurance companies. He has spoken at numerous NAMIC events, many state events, and has been a participant in NAMIC's Congressional Contact Program from West Virginia.

Julie Rochman is president and chief executive officer of the Insurance Institute for Business & Home Safety. She has more than 20 years of public affairs and advocacy experience representing major corporations, research and safety organizations, and issue-based coalitions. Under Ms. Rochman's leadership, the IBHS built a state-of-the-art research facility that enables researchers to replicate multiple property hazards to study weather-related loss prevention that will enable improvements in building codes, residential/commercial structure design, construction, and maintenance.

IN ADDITION TO ADVOCACY, PUBLIC POLI
DELIVERS VALUABLE PRODUCTS AND SER
COMPANIES' OPERATIONS AND THEIR BOT

In addition to advocacy, public policy, and education, NAMIC delivers valuable products and services to improve member companies' operations and their bottom lines.

Mutual insurance companies and their agents present unique risks that are very different from their stock company counterparts. Through NAMIC insurance services – **NAMIC Insurance Company** and **NAMIC Insurance Agency** – various insurance products are available to member companies.

NAMICO, an "A" rated (excellent) company, provides professional liability insurance to member companies and their agents through NIA. While the agency's first commitment is to the success of NAMICO as its exclusive agent, NIA also pursues the marketing and sale of other insurance products, such as health and accident, life, fiduciary liability, cyber liability, and fidelity bonds.

NIA manages a professional liability portfolio worth more than $12 million serving NAMIC members and their agents. More than 90 percent of the agency business is placed with NAMICO, which has seen its surplus grow since its inception to more than $20.8 million.

NAMIC Arbitration Service provides a forum for low-cost resolution of subrogation disputes between property/casualty insurance companies in the United States. NAS has automatic nationwide jurisdiction over any dispute between signatory companies on issues such as damage to or by motor vehicles, medical payments where permitted by state law, and third-party contribution claims. In 2011 there were 140 signatories to the service, and 900 cases were received for arbitration.

Through **NAMIC Benefit Solutions**, member companies can purchase dental, vision, group and supplemental life, short-term and long-term disability programs, 401k, and pension plans through our partnerships with Delta Dental, VSP, Lincoln Financial Group, Nyhart, and Manning & Napier. By using assets accumulated within a group trust operated for our membership, several benefit programs offer subsidized rates to participants.

Each year NAMIC conducts our annual **Salary Survey** of director compensation practices of property/casualty insurance companies. The survey covers board composition, time commitment, fees, expense reimbursement, and other forms of direct or indirect compensation.

The survey contains aggregate compensation data on more than 60 positions from more than 150 U.S. property/casualty insurance companies. Survey data is segmented by company size, type, and geographic region. This survey is unique in that it is updated continually throughout the year

NAMIC has partnered with Gibson Insurance Group since 2009 to conduct our free, comprehensive **NAMIC Benefits Benchmarking Survey**. Benefits covered in the survey ranged from plan design and contributions to wellness initiatives, cost control strategies, paid time off, and retirement benefits. In 2011, 168 participating companies received an Individual Custom Report that showed how their plan(s) compared to those of other insurance companies.

What began in 1998 as a value-added service for NAMIC members has evolved into a full-service web development and management division serving a variety of technology needs. Customers of **NAMIC Web Services** can obtain their unique web address (URL), set up a hosting plan, and have their site designed from the ground up to achieve a turn-key, professional presence on the Internet. In addition to marketing communications, NAMIC Web Services helps its customers with secure agent portals, online payment processing, custom logo design, email broadcast services, and more.

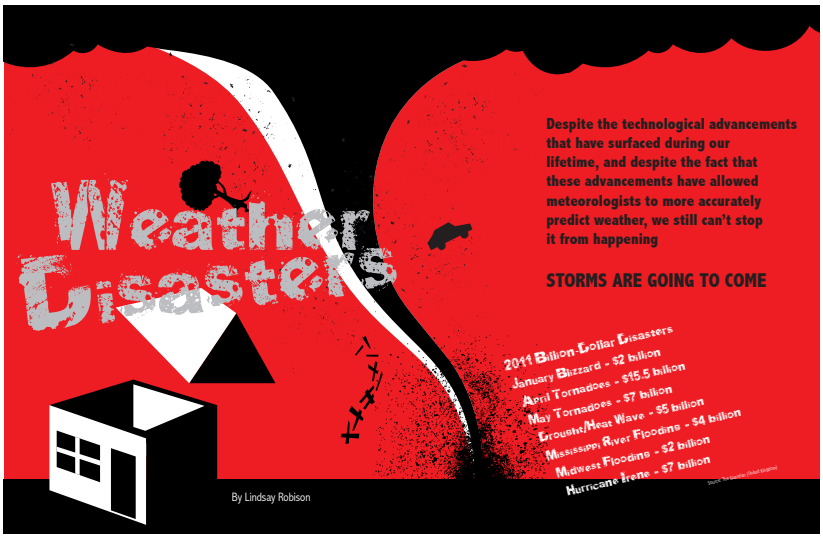
By the end of 2011, we counted more than 130 NAMIC members, affiliates, and associates as active customers. Our reputation is built on personal service; updates are as easy as sending an email.

CY, AND EDUCATION, NAMIC
VICES TO IMPROVE MEMBER
TTOM LINES.

IN MAGAZINE GETS A MAKEOVER – AND A NEW FOCUS

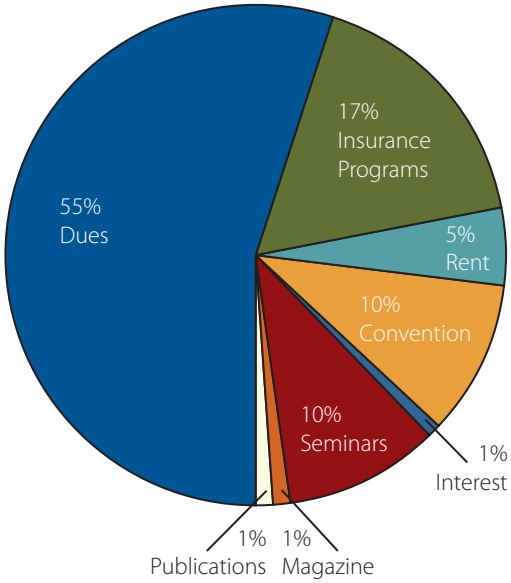
With a beefed-up public affairs capacity in 2011, NAMIC embarked on a review and revamping of its communications with members, policymakers, and the media. While a number of projects were in development, a newly designed and more mutual-centric quarterly IN magazine debuted with the winter issue in December.

The magazine now strives to "inform, persuade, entertain and inspire its audience: mutual property/casualty insurers and those who work with them." Going forward, IN's articles will reveal and explore the issues, challenges, trends, and personalities central to the purpose of mutual insurance and related businesses and promises to deliver articles and perspectives not found in any other insurance publication. 2011 also saw the magazine go digital, available to a wider audience with its appearance on the NAMIC website.

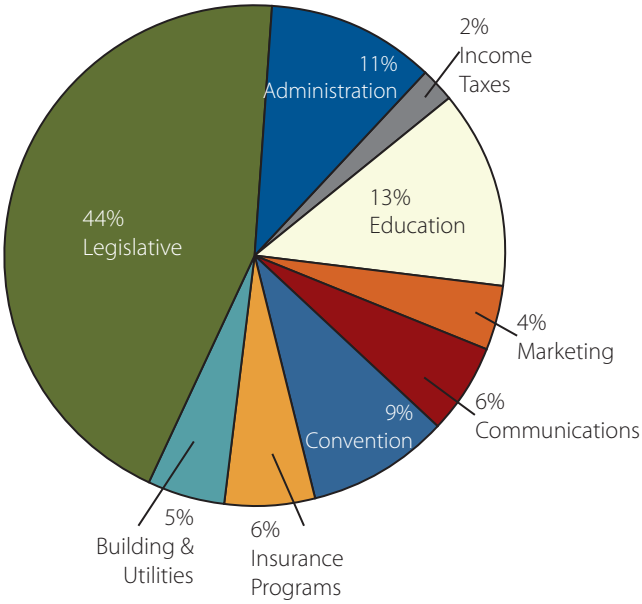


2011 FINANCIAL SUMMARY

REVENUE



EXPENSES



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Municipal Mutual Insurance Company

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Eric Nelson
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2010-2011 Chairman
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***Jon Grether**
Pharmacists Mutual Insurance Company

***Robert Bedell**
Southern Mutual Church Insurance Company

* Term expired in 2011.

2011 MANAGEMENT CONFERENCE

June 29, 2011 | Key Largo, Fla.

Power Session: Vision and Strategy lead by the *Disney Institute*


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