

Two other noteworthy IT successes deserve mention. The first involved the addition of the Hartford Steam Boiler EPLI endorsement to the Agent's E & O product, and the second was completion of development of a portal to allow customers to submit on-line applications. While integration of the portal into the Agency's website remains to be completed, the new on-line capability promises greater ease of doing business for our customers.

2011 will be another challenging year. The loss of premium resulting from the non-recurring items will challenge us to achieve our premium goal. Rising frequency suggests that an underwriting profit will be difficult to achieve as well. Potential changes to key strategic relationships with Scottsdale, FMRP, and the NAMICO Reinsurance Facility will increase the challenge even further.

I believe that by working together we will find the solutions that will allow us to meet our 2011 business goals and position the company for future growth, profitability, and competitive vitality.

  
George D. Krempley  
President/CEO

## BOARD OF DIRECTORS

### DIRECTORS

Charles M. Chamness	Indianapolis, IN
Peter J. Cammarata	Irvington, Va.
Linda J. Day	Concord, NH
Kurt P. Foley	Flint, MI
Phillip D. Frain	Oklahoma City, OK
Christopher G. Shipe	Waterford, VA
G. S. (Steve) Smith	Cambridge, ONT
Robert A. White	Chicago, IL

### OFFICERS

Charles M. Chamness	Chairman
George D. Krempley	President/CEO
Joyce C. Dean	Secretary/Treasurer
Timothy F. Sullivan	Vice President-Claims
Pamela J. Keeney	Vice President-Underwriting
Brian J. Stanek	Vice President-Information Technology

**TWENTY-FOURTH  
ANNUAL STATEMENT  
December 31, 2010**

**NAMICO**

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**NAMICO**

**NAMIC INSURANCE COMPANY, INC.**

## CHAIRMAN'S ANNUAL REPORT TO SHAREHOLDERS

Our nation and our industry have endured many changes and challenges as we have overcome the consequences of the financial crisis. Sometimes change is good even if it is, at times, unsettling.

NAMICO dealt with change this year as we saw the planned retirement of our long-time president/CEO Jerry Wollam, who, for 15 years, led NAMICO with a steady hand and great insurance judgment. It was both a priority and a challenge to execute a smooth transition to a new leader, yet, we found an able and talented CEO in George Kremply. George started with NAMICO in September, and brings a wealth of experience to the position, including seven years leading a similar professional liability insurer.



NAMICO is also pursuing change, as we assess longstanding relationships with outside business partners while continually evaluating the amount of risk we take on as it relates to the overall financial health of our company and the needs of our policyholders. As we deliberate on these changes, I want to assure you that one thing that will not change is our commitment to service to you that has built our reputation in the industry and our success, all to the benefit of NAMIC members.

While relatively small, we are known as a company that is financially strong, resilient, and ready for any challenge that may come our way. And we certainly haven't changed our belief in the philosophy of mutuality – providing a safety net to policyholders in times of trouble; promising to conduct business in an ethical and transparent manner; and providing the highest quality of services at the lowest possible price.

The very strength and success of our company are seen through the fact that approximately 85 percent of NAMIC members are policyholders. There isn't a greater testament of success for a company created and operated for the benefit of that membership!

Throughout its history – now nearly a quarter of a century – NAMICO has reaped the many benefits of a dedicated and capable board of directors. The current board is no exception; they are our driving force in the industry, and I am extremely grateful for their active participation in leading us through these uncertain times.

NAMICO staff is always ready to grapple with the significant changes and events affecting our daily work, and I believe both board and staff are well prepared to successfully take on new challenges. Thank you for your confidence in us. We pledge to remain committed to you, our policyholders.

Charles M. Chamness  
Chairman of the Board

### FINANCIAL SUMMARY (STATUTORY) UNAUDITED

	2010	2009
<b>ASSETS</b>		
Cash in Bank .....	\$ 708,933	\$ 263,865
Bonds .....	29,087,006	26,898,166
Stocks .....	8,599,967	8,073,401
Short Term Investments .....	1,713,462	1,539,274
Agent Balances .....	1,677,153	1,892,805
Funds Held by Reinsured Companies .....	5,570,437	4,842,558
Reinsurance Recoverables .....	73,510	132,394
Federal Income Tax - Current .....	0	722,107
Federal Income Tax - Deferred .....	20,645	122,048
Accrued Investment Income .....	316,580	311,019
<b>TOTAL ASSETS .....</b>	<b>\$ 47,767,693</b>	<b>\$ 44,797,637</b>

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Reserve for Unearned Premium .....	\$ 1,135,000	\$ 1,201,371
Reinsurance Payable on Paid Losses & LAE .....	146,501	327,307
Reserve for Losses/Loss Adjustment Expenses .....	5,593,992	6,117,161
Accrued Expenses and Other Liabilities .....	419,039	277,997
Reinsurance Premiums Payable .....	213,438	312,303
Federal Income Tax - Current .....	130,000	0
Federal Income Tax - Deferred .....	0	0
Payable for Securities .....	0	203,560
Funds Held Under Reinsurance Treaties .....	19,251,006	17,565,205
Provision for Reinsurance .....	0	1,500,918
<b>TOTAL LIABILITIES .....</b>	<b>\$ 26,888,976</b>	<b>\$ 27,505,822</b>

<b>Common Stock:</b>		
Class A; \$51 Par Value; 2,000 Shares		
Authorized, Issued and Outstanding .....	\$ 102,000	\$ 102,000
Class B; \$51 Par Value; 498,000 Shares		
Authorized, 92,746 Issued, and Outstanding .....	4,730,046	4,730,046
Unassigned Surplus .....	16,046,671	12,459,770
<b>TOTAL SHAREHOLDERS' EQUITY .....</b>	<b>\$ 20,878,717</b>	<b>\$ 17,291,816</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY .....</b>	<b>\$ 47,767,693</b>	<b>\$ 44,797,638</b>

### OPERATING RESULTS (STATUTORY) UNAUDITED

	2010	2009
<b>PREMIUMS EARNED .....</b>	<b>\$ 2,561,074</b>	<b>\$ 2,408,462</b>
<b>DEDUCTIONS</b>		
Losses and Loss Expenses Incurred .....	1,042,047	3,562,448
Underwriting Expenses Incurred .....	894,129	1,193,906
<b>UNDERWRITING GAIN (LOSS) .....</b>	<b>624,898</b>	<b>(2,347,892)</b>
<b>NET INVESTMENT INCOME EARNED .....</b>	<b>766,445</b>	<b>689,468</b>
<b>REALIZED CAPITAL GAINS (LOSS) .....</b>	<b>336,607</b>	<b>(1,718)</b>
<b>FEDERAL INCOME TAX .....</b>	<b>141,643</b>	<b>(987,716)</b>
<b>NET INCOME (LOSS) .....</b>	<b>\$ 1,586,307</b>	<b>\$ (672,426)</b>

### SUMMARY OF CAPITAL AND SURPLUS ACCOUNT (STATUTORY) UNAUDITED

	2010	2009
<b>SHAREHOLDERS' EQUITY—BEGINNING OF YEAR .....</b>	<b>\$ 17,291,816</b>	<b>\$ 17,789,103</b>
Net Income .....	1,586,309	(672,426)
Change in Unrealized Capital Gains .....	226,324	931,588
Change in Net Deferred Federal Income Tax .....	22,202	29,555
Change in Non-Admitted Assets .....	279,413	790,127
Change in Provision for Reinsurance .....	1,500,918	(1,500,918)
Change in Capital .....	0	0
Change in Capital Paid In .....	0	0
Other .....	(28,265)	(75,213)
<b>Change in Shareholders' Equity .....</b>	<b>3,586,901</b>	<b>(497,287)</b>
<b>SHAREHOLDERS' EQUITY—END OF YEAR .....</b>	<b>\$ 20,878,717</b>	<b>\$ 17,291,816</b>

## PRESIDENT'S ANNUAL REPORT TO SHAREHOLDERS

2010 was a successful year for NAMICO. The company achieved strong operating results and completed key projects which strengthened its product offerings and enhanced its technology platform. Both premium and underwriting profit goals were met, and more than \$3.5 million was added to surplus.



The combined ratio improved to 76.5% and underwriting income rose to nearly \$625,000. This was a dramatic reversal over 2009's combined ratio of 197.7% and underwriting loss of \$2.3 million. This exceptional performance stands as a fitting tribute to Jerry Wollam, who retired at year end after 15 years of outstanding leadership as NAMICO's CEO.

Investment performance also rebounded in 2010. Investment gains exceeded \$1.5 million, an improvement of more than \$.5 million over 2009. The strong results in both underwriting and investments combined to produce net income after taxes of \$1,586,306. The improvement in net income over 2009 was a remarkable \$2.25 million.

A key factor driving the improved earnings was favorable development on prior year losses. In addition to bolstering underwriting income, the favorable development built back funds held on behalf of NAMICO Reinsurance Facility, thereby re-establishing the Pool's collateral base. This allowed the company to take down a \$1.5 million provision for unauthorized reinsurance and restore the full amount to surplus.

Unrealized capital gains added another \$578,000 to surplus. In total, the company added more than \$3.5 million to its surplus during 2010, as noted earlier. The stronger capital base coupled with the improved operating results led A. M. Best to reaffirm the company's "A" rating in December with stable outlook.

2010 also marked the company's best year in new business production since 2003. New premium written during 2010 more than doubled the 2009 new business total. The growth included an unexpected increase in new company business, as well as continuing growth in Agent's E & O. It also reflected a growing partnership between NAMICO and the NAMIC Insurance Agency.

Technology was a mixed bag in 2010. Many key initiatives identified in the 2010 business plan were accomplished. However, the planned implementation of the initial release of our new claim and underwriting processing system, Willow, did not occur. Nevertheless, much successful development took place which addressed previous roadblocks to Willow development and further stabilized the existing NIAS processing system.

Continued on back ...