

MARKET CONDUCT
EXAMINATION REPORT OF
NCMIC INSURANCE COMPANY
CLIVE, IOWA
AS OF DECEMBER 31, 2020

Clive, Iowa
December 21, 2021

HONORABLE DOUG OMMEN
Commissioner of Insurance
State of Iowa
Des Moines, Iowa

Commissioner:

In accordance with your authorization and pursuant to Iowa statutory provisions, a market conduct examination has been made of the records, business affairs, and marketing practices of

NCMIC INSURANCE COMPANY

CLIVE, IOWA

AS OF DECEMBER 31, 2020

at the Home Office, 14001 University Avenue, Clive, IA 50325.

INTRODUCTION

This market conduct examination report, containing applicable comments, explanations and findings, is presented herein. In general, this is a report by exception. Comments regarding practices and procedures reviewed during the examination have been omitted from the report if no improprieties were found. All unacceptable or non-complying practices may not have been identified. The failure to identify specific company practices does not constitute acceptance of these practices.

SCOPE OF EXAMINATION

This risk-focused, market conduct examination was conducted as a coordinated examination of an insurance holding company group covering the period from January 1, 2016 through December 31, 2020. This report details the examination of NCMIC Insurance Company, herein referred to as the “Company”, with a separate examination report prepared for affiliate, Professional Solutions Insurance Company. The risk-focused examination reviews internal policies, procedures, and control structures for compliance with applicable Iowa statutes and administrative rules. The examination then focuses on the Companies’ compliance with those policies, procedures, and control structures.

HISTORY

The Company was incorporated in January 1946, at Webster City, Iowa as the National Chiropractic Insurance Company with perpetual corporate existence. In March 1965, the Articles of Incorporation and Bylaws were amended whereby the principal place of business was changed to Des Moines, Iowa. The Articles and Bylaws were again amended in April 1987, to change the principal place of business to West Des Moines, Iowa. On February 21, 2003, the Company changed the principal place of business to Clive, Iowa.

In July 1974, the Articles were amended whereby the word “Mutual” was inserted in the Company’s title, thereby changing the name to National Chiropractic Mutual Insurance Company. Amended and Substituted Articles

of Incorporation and Bylaws were adopted by the Company in November 1974, which authorized the Company to transact the business of insurance under the provisions of Chapter 515, Code of Iowa.

May 9, 1997, the Company filed a Plan of Reorganization with the Iowa Commissioner of Insurance as permitted by Section 521A.14, Code of Iowa. Effective October 1, 1997, with the approval of the Iowa Insurance Commissioner, the Company reorganized by creating a mutual holding company, National Chiropractic Mutual Holding Company (NCMHC), incorporated under Chapter 491, Code of Iowa. As a result, the policyholders' membership interests in the Company were transferred to NCMHC, with the membership interests in the Company terminated.

In conjunction with the reorganization, the Company caused the organization of NCMIC Group, Inc., pursuant to Chapter 490, Code of Iowa, which is wholly owned by NCMHC.

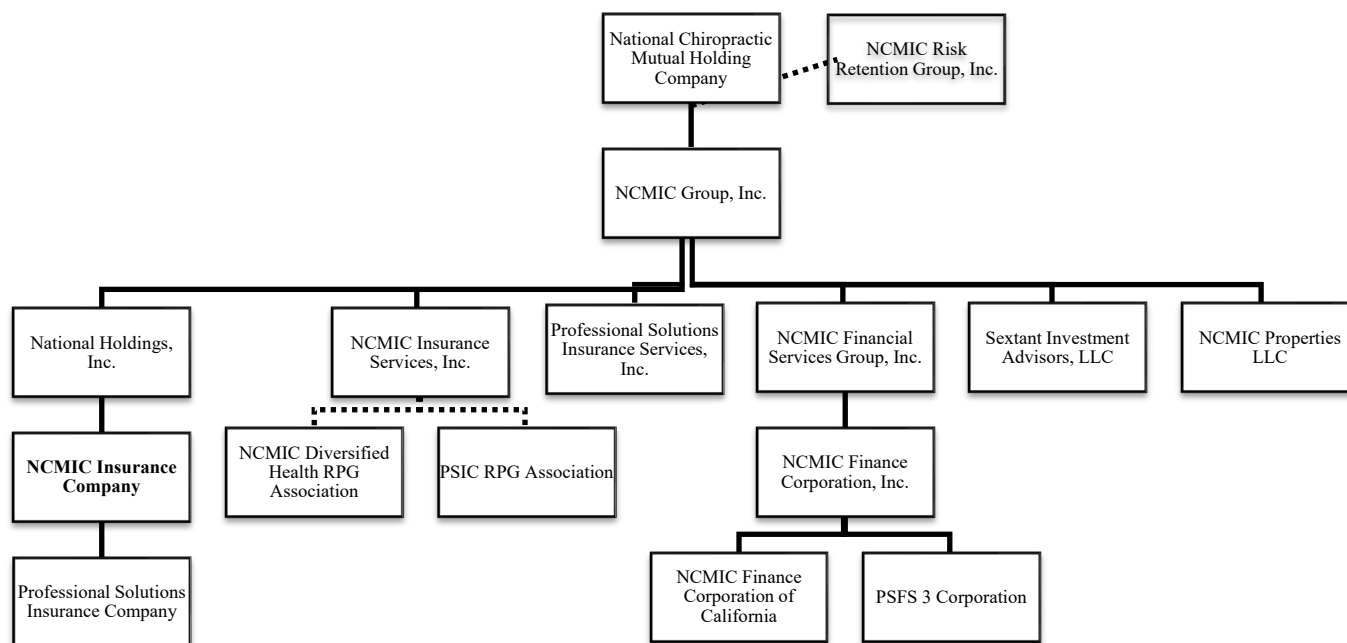
The Company simultaneously reorganized as a non-life insurer under Chapter 515, Code of Iowa, and as a stock corporation by the adoption of Amended and Restated Articles of Incorporation. In addition, the Company changed its name to NCMIC Insurance Company.

Effective March 12, 1998, the organizational structure was reorganized by the addition of National Holdings, Inc. with all voting stock owned by NCMIC Group, Inc. All of the outstanding stock of NCMIC Insurance Company was then transferred to National Holdings, Inc.

INSURANCE HOLDING COMPANY SYSTEM

The Companies are members of a Mutual Insurance Holding Company System and properly filed Holding Company Registrations in accordance with Chapter 521A, Code of Iowa.

The subsidiary companies controlled by National Chiropractic Mutual Holding Company, the ultimate parent, are listed as follows:



TERRITORY AND PLAN OF OPERATION

NCMIC Insurance Company

The Company is licensed to write business in all fifty states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. The top five states representing direct written premiums are California (10.86%), Texas (8.05%), Illinois (6.65%), Washington (4.54%), and Ohio (4.43%). Iowa accounted for \$1,658,192 or 2.75% of 2020 direct written premiums.

The Company insures over forty thousand chiropractors in the fifty states, District of Columbia, as well as United States Territories, which represents over 50% of the total licensed chiropractors in these venues. In addition, the Company also insures nearly all of the chiropractic colleges in the United States.

The Company's major lines of business continue to be medical professional liability occurrence and claims made coverage marketed to doctors of chiropractic.

The Company primarily produces business on a direct-marketing basis through twenty-six licensed employee/producers.

TREATMENT OF POLICYHOLDERS

Claim Practices

The Examiners reviewed the Company's claim handling policies and procedures. The Examiners then reviewed a sample of 20 paid claims to verify timeliness of settlement and adherence to claim policies and procedures. No issues of non-compliance were found.

The Examiners also reviewed a sample of 20 denied claims and 5 closed without payment claims. No issues of non-compliance were found.

Complaints

The Companies do not have formalized compliant handling policies and procedures. Complaints are all reviewed and addressed by the Compliance Department. Examiners reviewed compliant registers for each entity, all complaints were filed through a state insurance department. The Examiners found that the Complaint Register contained all records as required by Iowa Administrative Code 191-15.13 (1)(a).

Underwriting

The Examiners reviewed the underwriting policies and guidelines to ensure adherence to underwriting standards. The Examiners reviewed a sample of three rejected applications, all samples reviewed followed underwriting guidelines. The Examiners also reviewed a sample of two Cancelled or Non-Renewed Policies, all samples reviewed followed underwriting guidelines and applicable state statutes.

MARKETING AND SALES

The Companies' Marketing Department is responsible for the development of all advertising and marketing materials. Although there are no formalized policies and procedures in place, all advertisements are reviewed and approved by the marketing project owner, line of business owner, and compliance department. Examiners reviewed the advertising log for the exam period and noted that it is compliant with Iowa Administrative Code 191.15.13(2).

PRODUCER LICENSING

Examiners reviewed producer licensing policies and procedures. Producer appointment procedures and practices were in compliance with applicable statutes and regulations.

CONCLUSION

Acknowledgment is hereby made of the cooperation and assistance extended by the officers and employees of the Group during this examination.

In addition to the undersigned, the following Iowa Insurance Division examiners participated in the examination and preparation of this report: John Echeveste, Mick Jepsen, Logan Thomsen, and Aaron Syverson.

Respectfully submitted,

/s/ Amanda Theisen

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