

EXAMINATION REPORT OF
EMPLOYERS MUTUAL CASUALTY COMPANY
DES MOINES, IOWA
AS OF DECEMBER 31, 2023

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

Commissioner:

In accordance with your authorization and pursuant to Iowa statutory provisions, an examination has been made of the records, business affairs, and financial condition of

EMPLOYERS MUTUAL CASUALTY COMPANY

DES MOINES, IOWA

AS OF DECEMBER 31, 2023

at its Home Office, 717 Mulberry Street, Des Moines, Iowa. The report, containing applicable comments and financial data, is presented herein.

INTRODUCTION

Employers Mutual Casualty Company, hereinafter referred to as the “Company,” was last examined as of December 31, 2018, by the Iowa Insurance Division. The examination reported herein was conducted as an examination of an insurance holding company group with the Iowa Insurance Division acting as the Lead State and North Dakota Insurance Department participating in the holding company group examination. The examination was performed by a contract firm, Risk & Regulatory Consulting, LLC, and examiners from the Iowa Insurance Division. The Company’s subsidiary insurance companies including EMC Property & Casualty Company, EMC Reinsurance Company, Dakota Fire insurance Company, EMCASCO Insurance Company, Illinois EMCASCO Insurance Company, and Union Insurance Company of Providence, were also examined as part of the holding company group, with a separate examination report prepared for each entity.

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2019, to the close of business on December 31, 2023, including any material transactions and/or events occurring and noted subsequent to the examination period.

The examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. The Handbook requires that we plan and perform the examination to evaluate the financial condition, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact and general information about the insurer and its financial condition.

HISTORY

The Company was incorporated on April 25, 1911, as the Employers Mutual Casualty Association of Iowa; an association formed for the purpose of writing risks under the Workers' Compensation and Employers' Liability Act of the State of Iowa. Automobile and various public liability risks were later written in 1920, followed by burglary and bond risks in 1942. The Company became authorized to write multiple lines in 1950.

The present corporate title was adopted in January 1924. Effective March 10, 1950, the corporate charter was amended to afford perpetual corporate existence.

Effective January 1, 2018, Hamilton Mutual Insurance Company merged into the Company.

On October 29, 2018, EMC Insurance Group announced that the Company and its affiliated insurance companies would discontinue its personal lines insurance operations. The Company and its affiliated insurance companies exited the sale of personal lines insurance beginning in January of 2019.

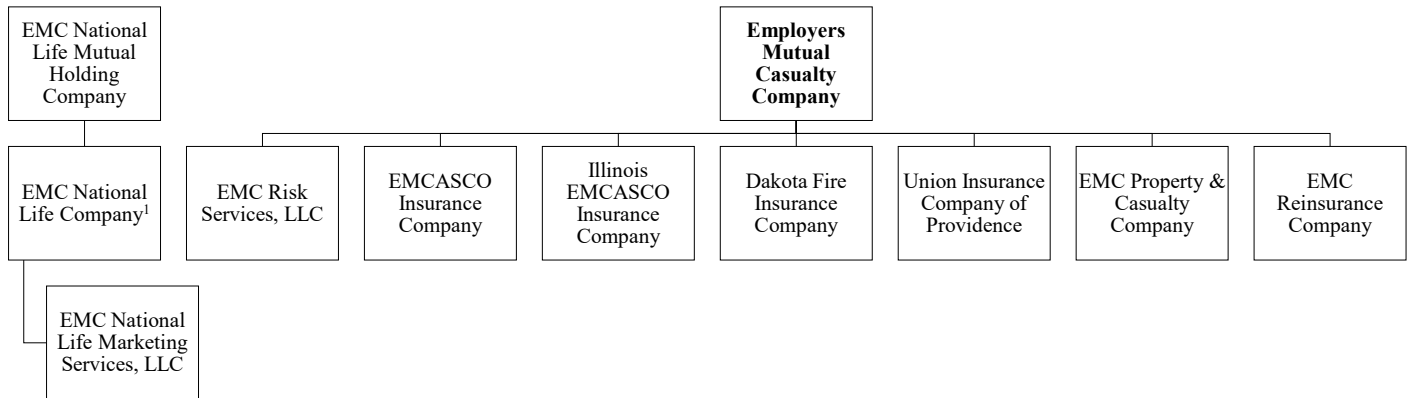
On September 19, 2019, the Company acquired all remaining public shares of EMC Insurance Group, Inc., a downstream intermediate holding company. On September 30, 2023, EMC Insurance Group, Inc. was dissolved.

On September 27, 2022, the Company announced that they would exit the assumed reinsurance business conducted through EMC Reinsurance Company and that the Company would focus on its core insurance products distributed through independent agents, including commercial property/casualty lines and bonds.

INSURANCE HOLDING COMPANY SYSTEM

The Company is the Ultimate Parent of a Holding Company System, commonly referred to EMC Insurance Group or EMC Insurance Companies, as defined by Chapter 521A, Code of Iowa. An Insurance Holding Company System Registration Statement was filed with the Iowa Insurance Division for each year of the examination period.

An organizational chart identifying the Company within the Holding Company System as follows:



¹ EMC National Life Company's voting stock is 51% and 49% owned by EMC National Life Mutual Holding Company and Employers Mutual Casualty Company, respectively.

MANAGEMENT AND CONTROL

MEMBERSHIP

The By-Laws provide that every individual, co-partnership, public or private corporation, board or association, trustee, administrator, executor or other legal entity to whom a policy or contract of insurance has been issued or may hereafter be issued by the corporation shall be a member of the corporation and entitled to the rights and privileges of such membership, so long only as said policy or contract is in force and effects.

The regular annual meeting of the members shall be held at 9:30 o'clock in the forenoon of the second Wednesday in February of each year; and the annual meeting and all special meetings of the members shall be held at the home office of the corporation. No notice of annual or adjourned meetings of the members shall be required to be given except as otherwise provided by law, but such notice may be given by the Chief Executive Officer.

Each member shall be entitled to one vote at the meeting of the members upon matters of business, which may be exercised in person or by proxy. At any meeting 100 members present, in person or represented by proxy, shall constitute a quorum for the transaction of business.

BOARD OF DIRECTORS

The By-Laws provide that the number of Directors of the corporation shall be sixteen, unless that number is reduced in accordance with the Articles of Incorporation. The Articles of Incorporation states that upon the death or resignation, or expiration of term of office of any Director the members of the corporation shall have the power in their absolute discretion to declare the officer vacant, but in no event shall the Board of Directors at any time consist of less than nine members. Directors need not be residents of the State of Iowa. Approximately one-third of the members of the Board of Directors shall be elected at each annual meeting of the membership for a term of three years. Any vacancy on the Board may be filled by a majority of the remaining directors until a successor has been elected at the next meeting of the members.

Regular meetings of the Board of Directors shall be held quarterly. The first of such quarterly meetings in each year, or the regular annual meeting, shall be held in the Home Office of the corporation, upon adjournment of the annual meeting of the members. Such other quarterly meetings shall be held on call of the chief executive officer or the Executive Committee at the Home Office of the company or at such other locality either within or without the State of Iowa, as he or it shall determine. The hour at which other regular quarterly meetings of the Board of Directors shall convene shall be fixed by the chief executive officer or the Executive Committee as to each such meeting. At least ten days' notice shall be given to each director of each such meeting, specifying the date, time and place thereof.

Special meetings may be called by the Chief Executive Officer or by the Executive Committee and shall be called upon the request of any four Directors. Five days' notice shall be given specifying the date, time, place and purpose. Such notice shall not be necessary when all the directors have executed written waivers consenting to the meeting and a quorum is present. Attendance of a director at a meeting shall constitute a waiver of notice of such meeting.

Directors serving as of December 31, 2023, were as follows:

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
Nora M. Everett Des Moines, Iowa	Retired, President Principal Financial Group	2024
Ronald W. Jean Altoona, Iowa	Retired, Executive Vice President Employers Mutual Casualty Company	2024
David J. W. Proctor ¹ Des Moines, Iowa	Attorney Bradshaw, Fowler, Proctor, and Fairgrave, P.C.	2024

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
Thomas W. Booth Boulder, Colorado	Retired, Executive Lennox International, Inc.	2025
Matthew D. Griffin New York City, New York	Head of Legal Department College Board	2025
Richard Koch Jr. Des Moines, Iowa	President and Owner Koch Brothers	2025
Mary O’Gorman Murray Media, Pennsylvania	Retired, Executive Officer Towers Perrin Reinsurance	2025
Tej Dhawan Grimes, Iowa	Co-Founder and Manager Plains Angels Investor Network	2026
Steven G. Jacobs Des Moines, Iowa	Co-Founder, Principal, and President BCC Advisors	2026
Scott R. Jean West Des Moines, Iowa	President and Chief Executive Officer Employers Mutual Casualty Company	2026
Bruce G. Kelley Des Moines, Iowa	Retired, Chief Executive Officer Employers Mutual Casualty Company	2026
J. Thomas Lockhart Golden Valley, Minnesota	Financial Accounting Consultant Self-employed, individual/sole proprietor	2026
David S. Ziegler Elgin, Illinois	CEO and Owner Ziegler’s Ace Hardware	2026

¹David J. W. Proctor retired from the Company’s Board of Directors on February 7, 2024. Mary O’Gorman Murray was elected Chairperson on February 7, 2024.

Directors not otherwise salaried receive compensation of \$160,000 as an annual fee; plus \$2,500 for each board meeting at which the director is in attendance, but only for any meeting that is the tenth meeting or more of the board during the years; plus \$2,500 for each board committee meeting that the director attends, if either the director is a member of the committee, or the director is requested to attend all meetings of the committee by the chair of the committee, but one for a committee meeting that is the eighth meeting or more of the committee during the year; plus the amount of \$15,000 which shall be paid to the chairs of each board committee which elects a chair pursuant to Article V, section 10 of the Company’s By-Laws and which holds at least one committee meeting during the ensuing year; provided, however, that directors who are not entitled to compensations shall not be eligible for such fee; plus an annual fee of \$65,000 to the individual serving as chair of the board.

COMMITTEES

The Board of Directors shall, at its regular annual meeting, appoint an executive committee, and may at such meeting, or from time to time, appoint such other committees, with such name or names as it may determine. The appointment of any such committee and the delegation thereto of authority shall not relieve the board of directors, or any member thereof, of any responsibility imposed by law.

All committees shall consist of three or more directors. The Chief Executive Officer of the corporation shall be a member and Chairperson of the executive committee and may be a member of any other committee.

The executive committee, when the Board of Directors is not in session shall have and may exercise all of the authority of the Board of Directors not otherwise delegated to other committees and except to the extent, if any, that such authority shall be limited by the resolution appointing the executive committee, except such powers as shall, from time to time, have been expressly invested and delegated by the Board of Directors in other committee or committees, and except also that it shall not have the authority of the Board of Directors in reference to amending the articles of incorporation, adopting a plan of merger or consolidation, to appoint or remove executive officers, or amending the By-Laws of the corporation. All other committees shall, when the Board of Directors is not in session, perform the duties and exercise the powers delegated to it in the resolution designating and constituting the same.

Members of the board appointed and serving on the Company's board committees as of December 31, 2023:

Audit Committee

David Ziegler, Chair
Steven Jacobs
Bruce Kelley
Richard Koch, Jr.
Nora Everett

Corporate Governance and Nominating

Mary O'Gorman Murray, Chair
Scott Jean
Bruce Kelley
Matthew Griffin
Nora Everett
David Proctor

Compensation and Benefits

Thomas Booth, Chair
David Proctor
Mary O'Gorman Murray
David Ziegler
Richard Koch

Enterprise Risk Management

Ronald Jean, Chair
Thomas Booth
Tej Dhawan
Nora Everett
Matthew Griffin
Scott Jean
Mary O'Gorman

Executive

Scott Jean, Chair
David Proctor, Vice Chair
Mary O'Gorman Murray
Thomas Booth

Finance

Steven Jacobs, Chair
Thomas Booth
Thomas Lockhart
Tej Dhawan
Richard Koch Jr.
Ronald Jean
Scott Jean

Investment

Thomas Lockhart, Chair
Matthew Griffin
Steven Jacobs
Ronald Jean
Bruce Kelley
David Proctor

OFFICERS

The executive officers of the corporation shall be a Chairperson, a President, a Chief Executive Officer, one or more executive vice presidents, and a secretary, each of whom shall be elected by the Board of Directors. Any executive office, except that of President, Chief Executive Officer, and Secretary may be left unfilled, as the Board of Directors may, from time to time, determine. Any two or more offices may be held by the same person, except the offices of President and Secretary.

The principal elected officers serving as of December 31, 2023, is as follows:

<u>Name</u>	<u>Title</u>
Scott R. Jean	President, Chief Executive Officer & Treasurer
Ann M. Collins	Executive Vice President, Chief Financial Officer
Elizabeth A. Nigut	Executive Vice President
Todd A. Strother ¹	Executive Vice President, Chief Legal Officer & Secretary
Ian C. Asplund	Senior Vice President, Chief Actuary & Analytics Officer
Sharon R. Cooper	Senior Vice President, Chief Marketing Officer
Bradley J. Fredericks	Senior Vice President, Chief Investment Officer
Philip R. Lucca ²	Senior Vice President, Chief Field Officer
Teresa L. Miller ³	Senior Vice President, Chief Human Resources Officer
Eduard J. Pulkstenis	Senior Vice President, Chief Underwriting Officer
Joseph R. Riesberg	Senior Vice President, Chief Information Officer
Mary M. Weist ⁴	Senior Vice President, Chief Claims Officer

¹ Doug Van Zanten, Deputy General Counsel, was elected as Secretary on February 12, 2025.

² Phillip Luca retired on February 12, 2024, and no successor was named.

³ Teresa Miller retired on August 1, 2024 and was succeeded by Matthew Spackman.

⁴ Mary Weist retired on September 16, 2024, and no successor was named.

The salaries of the principal officers are shown in Exhibit A immediately following the signature page of this report.

CONFLICT OF INTEREST

The Company maintains a formal conflict of interest policy statement and has established procedures for the Board of Directors or committee thereof to receive information on the annual conflict of interest disclosure procedures of any material interest or affiliation on behalf of the Company's directors, officers, and key employees, which is in conflict with their official duties. The examination team reviewed the conflict-of-interest questionnaires completed by the Company's directors and officers for each year of the period covered by this examination. There were no disclosures that were determined to present a material conflict of interest.

CORPORATE RECORDS

The recorded minutes of the Members, Board of Directors and the committees of the board were reviewed for the examination period. The minutes appeared to be complete and were found to be properly attested.

The Examination Report as of December 31, 2018, prepared by the Iowa Insurance Division was accepted at the Board of Directors meeting held on September 16, 2021.

The Articles of Incorporation and By-Laws of the Company were amended on March 11, 2020. The amendments to these documents are summarized as follows:

- Moved the date of the annual meeting of the members from the second Wednesday in March to the second Wednesday in February.
- Revised the method for election and removal of officers.
- Removed references and descriptions to outdated officer positions.

RELATED PARTY AGREEMENTS

Service Agreement with Affiliates Party to Pooling Agreement

The Company entered into a Service Agreement with its subsidiaries and affiliates, whereby the Company shall provide certain management, operational and administrative services to named affiliated and subsidiary companies

including but not limited to: data processing, claims handling, financial services, legal services, actuarial services, audit services, marketing services, underwriting services, and risk management. All expenses incurred by the Company for the provision of employees and services shall be allocated to the pool and each pool participant shall share in the total costs in accordance with its participation percentage as established under the terms of the Pooling Agreement. Payment for all expenses and costs shall be due no later than forty-five (45) after the end of each quarter.

Service Agreement with EMC National Life Company

The Company entered into a Service Agreement with EMC National Life Company, whereby the Company shall provide certain mutually agreed upon services reasonably required to assist in the management, administration, and operation of EMC National Life Company, which may include but not be limited to: productivity and technology, claims, marketing, strategic planning and operational services, legal services, property, equipment and capital improvements, administrative services, human resources, financial, insurance and reinsurance, and internal audit. EMC National Life Company shall reimburse the Company for direct expenses plus the reasonable costs for overhead including but not limited to: salaries and other related expenses. Payment for all expenses and costs shall be due no later than forty-five (45) days after the end of each quarter.

Service Agreement with EMC Risk Services, LLC

The Company entered into a Service Agreement with EMC Risk Services, LLC (ERS), whereby the Company shall provide certain mutually agreed upon services reasonably required to assist in the management, administration, and operation of ERS, which may include but not be limited to: productivity and technology, marketing, strategic planning and operational services, legal services, property and equipment, administrative services, human resources, financial, insurance and reinsurance, and internal audit. ERS shall reimburse the Company for salaries of certain employees based on actual time spent working for ERS. Payroll taxes and employee benefits will be allocated based on the prior year ratio of these consolidated expenses to salaries. Rent for the use of the Company's property will be based on square footage of space utilized. Other expenses will be allocated based upon actual usage. The amounts owed by ERS to the Company will be offset by a credit for providing claim administration services performed related to claims filed by the Company's employees. The credit will be based upon actual time spent working on such claims. ERS will also receive a credit for payroll taxes. Payment for all expenses and costs shall be due no later than forty-five (45) days after the end of each quarter.

Investment Management Agreement

The Company entered into an Investment Management Agreement with its subsidiaries and affiliates, whereby the Company shall perform those mutually agreed upon investment management services reasonably required to assist the named affiliated and subsidiary companies in overseeing investment activities. Costs of the investment management services will include actual expenses incurred plus an allocation of other investment expenses incurred. The allocation will be based on a weighted average of total invested assets and number of investment transactions of each company. Payment for all expenses and costs shall be due no later than forty-five (45) days after the end of each quarter.

Investment Management Agreement with EMC National Life Company

The Company entered into an Investment Management Agreement with EMC National Life Company, whereby the Company shall perform those mutually agreed upon investment management services reasonably required to assist EMC National Life Company in overseeing investment activities. EMC National Life Company will pay the Company an asset-based fee that will be based upon the statutory value of EMC National Life Company's assets under management. Payment for all expenses and costs shall be due no later than forty-five (45) days after the end of each quarter.

Tax Allocation Agreement

The Company entered into a Tax Allocation Agreement with its subsidiaries and affiliates, whereby federal taxes are allocated among the parties pursuant to Internal Revenue Code and subject to a written agreement. The tax liability of the group shall be allocated to several members of the group on the percentage of the total tax which the tax of such member if computed on a separate return would bear to the total amount of the taxes for all members of the group so computed. The Company shall advance on behalf of the named affiliated and subsidiary companies any tax owed at the time of the filing

of the respective returns. Each named affiliate or subsidiary shall reimburse the Company for the payment of such advanced funds no later than forty-five (45) days after the end of each quarter.

Inter-Company Loan Agreement

The Company entered into an Inter-Company Loan Agreement with its subsidiaries and affiliates, whereby the parties to the agreement can borrow from each other on a short-term basis at market-based interest rates when one or more companies has short-term need for general working capital while one or more of the other companies has funds available for short-term investments purposes. No loans made pursuant to the Inter-Company Loan Agreement, in the aggregate, may exceed 5% of the lending party's admitted assets as of December 31 of the current preceding year. There were no inter-company loans pursuant to this Agreement in 2023. EMC Reinsurance Company loaned \$25,000,000.00 to the Company pursuant to this Inter-Company Loan Agreement on February 28, 2024, and the Company repaid the full amount of the loan, plus \$85,572.75 in interest in March 2024.

FIDELITY BONDS AND OTHER INSURANCE

The Company and its subsidiaries are included as named insureds on policies of insurance currently in force that afford protection against loss for the usual hazards to which the companies have exposure. The blanket fidelity bond has a single loss limit of \$20,000,000 and aggregate limit of \$40,000,000, which meets the NAIC recommended minimum amount. The companies are self-insured through the purchase of insurance policies from the Company and its subsidiaries for commercial auto, commercial general liability, workers' compensation and the first layer of umbrella coverage. The companies are insured through the purchase of external insurance of excess umbrella, cyber liability, directors' and officers' liability, fiduciary liability, employment practices liability, and insurance company professional liability coverages, among others. Coverages in place appear to adequately protect the interests of the Company.

EMPLOYEE WELFARE

The Company performs operations such as data processing, claims, financial, actuarial, legal, auditing, marketing and underwriting, for all of its subsidiaries and affiliate. Subsidiaries and the affiliate are allocated employee expenses based on their respective pooling participation or employee utilization.

The Company offers employee benefits to all eligible employees. Such benefits include access to retirement benefits, accidental death and dismemberment insurance, dental insurance, disability insurance (short-term and long-term), employee assistance program, flexible spending accounts, group life insurance, medical insurance, pharmacy insurance, supplemental term life insurance, supplemental whole life insurance, tuition reimbursement, and vision insurance.

The Company has a qualified defined benefit retirement plan covering substantially all employees. The plan is funded by employer contributions and provides benefits under a cash balance formula. The Company also has non-qualified defined benefit supplement retirement plan that provides additional retirement benefits for select group of management.

The Company also offers postretirement benefit plans which provide a health reimbursement arrangement and life insurance benefits for eligible retired employees. Both the health reimbursement arrangement and life insurance benefits are frozen to new participants.

The Company sponsors a defined contribution retirement plan covering substantially all employees of the Company. The Company will match 100% of the first 4% of an employee's contribution. The Company also sponsors a nonqualified defined contribution retirement plan that provides deferred compensation benefits for all executive officers at the level of assistant of vice president and above. Participants are allowed to defer up to 75% of their eligible compensation under this plan. The Company provides a matching contribution for certain officers that ranges from 3% to 8%, depending on the officer's position.

REINSURANCE

Certain reinsurance contracts of the Company were reviewed, and no contract provisions were found to be outside the custom of the industry. All contracts reviewed acceptable insolvency clauses and transfer of risk.

REINSURANCE POOLING AGREEMENT

The Company entered into a Reinsurance Pooling Agreement with its subsidiaries and affiliates, whereby the subsidiary and affiliated companies cede all of their gross insurance business to the Company and assume from the Company an amount equal to their participation in the pool. All losses, loss adjustment expenses and other underwriting and administrative expenses, excluding the voluntary reinsurance business assumed by the Company from unaffiliated insurance companies, are prorated among the companies on the basis of participation in the pool. The Company will make up any shortfall or difference resulting from an error in its systems and/or computational process that would otherwise result in the required restatement of the pool participants' financial statements. Intercompany balances related to pooling activities are settled no later than forty-five (45) days after the end of each quarter. The investment activities and income tax liabilities of the pool participants are not subject to the pooling agreement.

As of December 31, 2023, the participation percentages for the reinsurance pooling participants were as follows:

Employers Mutual Casualty Company	100%
EMCASCO Insurance Company	0%
Illinois EMCASCO Insurance Company	0%
Dakota Fire Insurance Company	0%
EMC Property & Casualty Company	0%
Union Insurance Company of Providence	0%

Assumed premium from intercompany pooling reported for 2023 totaled \$826,895,000.

ASSUMED

The Company assumes reinsurance business from nonaffiliated insurance companies. This assumed business is primarily from multiple-line companies with an emphasis on property lines. The majority of this business was ceded through a 100% retrocessional quota share agreement with EMC Reinsurance Company until 2022 when EMC Reinsurance Company ceased its assumed reinsurance business. Effective June 1, 2024, the Company and EMC Reinsurance Company commuted the Reinsurance Retrocessional Quota Share Agreement for the value of all reserves and other associated balances due between the companies under that agreement as of that date. For further details, see subsequent events section below.

The Company participates in various mandatory pools and associations. Assumed premium from mandatory pools and associations reported for 2023 totaled \$10,775,000.

CEDED

The Company and its subsidiaries and affiliates participating in the reinsurance pooling agreement are named insureds on all reinsurance treaties. Ceded unaffiliated premium reported for 2023 totaled \$129,119,000. A summary of the ceded reinsurance program is as follows:

Multiple Line Excess of Loss

The reinsurers shall indemnify the Company in respect of the liability that may accrue as a result of loss or losses under policies classified as property, casualty, excess liability, umbrella, and workers' compensation in accordance with the retentions and limits in the schedules below and subject to a maximum any on life for work comp of \$15,000,000.

Casualty, Umbrella and Workers' Compensation Retention and Limit Schedule is as follows:

<u>Layer</u>	<u>Company's Retention</u>	<u>Reinsurer's Limits - Each Loss Occurrence</u>
First	\$ 6,000,000	\$ 4,000,000
Second	\$10,000,000	\$10,000,000

Property Retention and Limit Schedule is as follows:

<u>Layer</u>	<u>Company's Retention</u>	<u>Reinsurer's Limits - Each Loss, Each Risk</u>	<u>Reinsurer's Limits - Each Loss Occurrence</u>
First	\$ 6,000,000	\$ 4,000,000	\$12,000,000
Second	\$10,000,000	\$10,000,000	\$10,000,000

Property Per Risk Excess of Loss

The reinsurers shall be liable in respect of each loss, each risk, for the ultimate net loss over and above the initial ultimate net loss retentions, for each loss, each subject to a limit of liability to the reinsurer, for each loss occurrence in accordance with the retentions and limits in the schedule below:

<u>Layer</u>	<u>Company's Retention</u>	<u>Reinsurer's Limits - Each Loss, Each Risk</u>	<u>Reinsurer's Limits - Each Loss Occurrence</u>
First	\$ 20,000,000	\$80,000,000	\$80,000,000

Property Per Risk Facultative Reinsurance

The Company has a semi-auto facultative placement program on property for schools, offices, and hospitals with mitigation of loss between \$100 million and \$200 million. Individual facultative reinsurance placement is obtained for other risks where coverage in excess of \$100 million is provided.

Property Catastrophe Excess of Loss

The reinsurers shall be liable in respect of each loss occurrence, for the ultimate net loss over and above the initial ultimate net loss retentions, for each loss occurrence, subject to a limit of liability to the reinsurer, for each loss occurrence in accordance with the retentions and limits in the schedule below:

<u>Layer</u>	<u>Company's Retention</u>	<u>Reinsurer's Limits - Each Loss Occurrence</u>	<u>Reinsurer's Limits - All Loss Occurrences</u>
First	\$ 40,000,000	\$ 60,000,000	\$120,000,000
Second	\$100,000,000	\$100,000,000	\$200,000,000
Third	\$200,000,000	\$ 50,000,000	\$100,000,000

Casualty and Umbrella and Workers' Compensation Excess of Loss

The reinsurers shall be liable for 100% each loss occurrence where the ultimate net loss is over and above an initial ultimate net loss of \$20,000,000 subject to a limit of \$20,000,000 each loss occurrence. Also subject to a maximum any one life for workers' compensation of \$20,000,000.

Workers' Compensation Catastrophe Excess of Loss

The reinsurers shall be liable for each loss occurrence, for the ultimate net loss over and above an initial ultimate net loss of \$40,000,000 each loss occurrence, subject to a limit of liability to the reinsurer of \$60,000,000 each loss occurrence. Also subject to a maximum any one life for workers' compensation of \$20,000,000.

Fidelity and Surety Excess of Loss

The reinsurers shall indemnify the Company in respect to ultimate net loss under all bonds or policies written by the Company's Bond Department and classified by the Company as Fidelity, Forgery, or Surety business, including Fidelity or Forgery coverages written under Multi-Peril policies in accordance with the limits below:

First Layer: As respects to Fidelity and Surety bonds, the reinsurer shall indemnify the Company for the amount of ultimate net loss in excess of \$2,000,000 each principal. The limit of liability to the reinsurer shall not exceed \$5,000,000 each principal. As respects Fidelity and/or Forgery policies or bonds, the reinsurer shall indemnify the Company for the amount of ultimate net loss in excess of \$2,000,000 each insured, each loss. The limit of liability to the reinsurer shall not exceed \$5,000,000 each insured, each loss. The reinsurer's aggregate limit of liability for all losses shall not exceed \$15,000,000.

Second Layer: As respects to Surety bonds, the reinsurer shall indemnify the Company for the amount of ultimate net loss in excess of \$7,000,000 each principal. The limit of liability to the reinsurer shall not exceed \$8,000,000 each principal. The reinsurer's aggregate limit of liability for all losses shall not exceed \$16,000,000.

Third Layer: As respects to Surety bonds, the reinsurer shall indemnify the Company for the amount of ultimate net loss in excess of \$15,000,000 each principal. The limit of liability to the reinsurer shall not exceed \$20,000,000 each principal. The reinsurer's aggregate limit of liability for all losses shall not exceed \$40,000,000.

Fourth Layer: As respects to Surety bonds, the reinsurer shall indemnify the Company for the amount of ultimate net loss in excess of \$35,000,000 each principal. The limit of liability to the reinsurer shall not exceed \$35,000,000 each principal. The reinsurer's aggregate limit of liability for all losses shall not exceed \$70,000,000.

Multiple Line Treaty

The reinsurer assumes 100% of the Company's liability for losses covered under a CyberSolutions Coverage Form. The reinsurer's liability shall not exceed \$25,000 annual aggregate as respects to each identity recovery insured. The reinsurer's liability shall not exceed \$250,000 annual aggregate per policy for computer attack and \$250,000 annual aggregate per policy network security liability. The reinsurer's liability shall not exceed \$1,000,000 annual aggregate per policy for response expenses and \$1,000,000 annual aggregate per policy for defense and liability.

Employment Practice Liability Coverage Quota Share

The reinsurer assumes 50% of the gross liability of the Company for loss (including defense costs) under the employment practice liability coverage form up to a maximum limit of \$250,000 each wrongful employment act, subject to the annual aggregate limit in the policy not to exceed \$250,000. In the event the reinsurer accepts a referral with an employment practices liability coverage limit in excess of \$250,000 each wrongful employment act, such limit shall be covered up to a maximum limit of \$1,000,000 each wrongful employment act, subject to the annual aggregate limit in the policy not to exceed \$1,000,000.

Commercial Equipment Breakdown Excess of Loss

The reinsurer indemnifies the company in respect of the commercial equipment breakdown liability for each accident and/or electronic circuitry impairment for the net loss over and above an initial net loss of \$25,000 each accident and/or electronic circuitry impairment, subject to a limit of liability to the reinsurer of \$100,000,000 for any one accident and/or any one electronic circuitry impairment, any one policy.

STATUTORY DEPOSITS

The book/adjusted carrying value of securities held in a custodial account and vested in the Iowa Commissioner of Insurance for the benefit of all policyholders as of December 31, 2023, totaled \$3,557,791, which met the minimum statutory requirement.

TERRITORY AND PLAN OF OPERATION

The Company is a multiple-line property and casualty insurance writer that is licensed in all fifty states and the District of Columbia. The majority of direct business is written in other liability, commercial auto liability and workers' compensation lines of coverage.

Marketing of products for the pooling EMC Insurance Companies is conducted through 17 branch offices located throughout the U.S. and produced by approximately 3,800 local independent agencies. The branch offices operate as individual profit centers with underwriting and marketing functions. The largest branch office by direct written premium is in Des Moines, Iowa.

GROWTH OF COMPANY

The following significant data, as taken from the office copies of the Company's filed annual statements for the years indicated. During 2019, the Company restructured and amended the Reinsurance Pooling Agreement to increase the Company's pooling percentage from 70% to 100% and this change is reflected in the Company's growth:

<u>Year</u>	<u>Admitted Assets</u>	<u>Surplus to Policyholders</u>	<u>Net Premium Earned</u>	<u>Net Losses Incurred</u>	<u>Investment Income Earned</u>
2019	\$3,817,653,916	\$1,575,175,065	\$1,223,724,308	\$ 678,099,002	\$ 76,879,864
2020	4,800,572,241	1,565,522,740	1,722,861,255	1,034,600,631	70,900,242
2021	5,097,920,452	1,737,298,086	1,804,372,181	1,036,389,719	68,995,385
2022	5,183,899,602	1,610,131,772	1,883,648,215	1,025,732,015	68,199,791
2023	5,330,149,439	1,570,343,467	2,067,485,754	1,274,351,781	154,555,564

ACCOUNTS AND RECORDS

The Company's general ledger is maintained on an accrual basis. Trial balances were prepared for the examination years under review. Amounts from the general ledger accounts were reconciled and found to be in agreement with balances reported on the filed annual statements for assets, liabilities, income, and disbursements.

SUBSEQUENT EVENTS

Effective June 1, 2024, the Company and EMC Reinsurance Company commuted the Reinsurance Retrocessional Quota Share Agreement for the value of all reserves and other associated balances due between the companies under that agreement as of that date. The Company received \$120,000,000 and a \$250,058,091 promissory note from EMC Reinsurance Company for amounts due because of the commutation. The promissory note is collateralized by investment securities owned by EMC Reinsurance Company until the principal balance plus interest is paid in full, and has maturity date of June 1, 2034, with no penalty for early payment.

FINANCIAL STATEMENTS
AND COMMENTS THEREON

NOTE: The following financial statements are based on the statutory financial statements filed by the Company with the Iowa Insurance Division and present the financial condition of the Company for the period ending December 31, 2023.

STATEMENT OF ASSETS AND LIABILITIES

ASSETS

	<u>Ledger</u>	<u>Not Admitted</u>	<u>Admitted</u>
Bonds	\$2,326,386,235	\$ -	\$2,326,386,235
Stocks:			
Preferred stocks	52,143,663	-	52,143,663
Common stocks	1,560,797,020	-	1,560,797,020
Mortgage loans on real estate			
First liens	-	-	-
Other than first liens	-	-	-
Real estate:			
Occupied by the company	84,800,717	-	84,800,717
Production of income	51,804,759	-	51,804,759
Held for sale	1,342,458	-	1,342,458
Cash and short-term investments	113,845,575	-	113,845,575
Contract loans	-	-	-
Derivatives	-	-	-
Other invested assets	143,919,166	6,736,438	137,182,728
Receivable for securities	97,328	-	97,328
Securities lending reinvested collateral assets	-	-	-
Aggregate write-ins for invested assets	<u>508,962</u>	<u>-</u>	<u>508,962</u>
Subtotals, cash and invested assets	\$4,335,645,882	\$ 6,736,438	\$4,328,909,444
Tile plants less	-	-	-
Investment income due and accrued	20,037,957	-	20,037,957
Premiums and considerations:			
Uncollected premiums in course of collection	206,250,663	5,522,751	200,727,912
Deferred premiums	559,215,993	3,269,459	555,946,534
Accrued retrospective premiums	-	-	-
Reinsurance:			
Amounts recoverable from reinsurers	40,713,322	-	40,713,322
Funds held with reinsured companies	9,297,983	1,007,007	8,290,976
Other amounts receivable	-	-	-
Amounts receivable relating to uninsured plans	-	-	-
Current federal and foreign income tax recoverable	12,011,733	-	12,011,733
Net deferred tax asset	72,810,482	-	72,810,482
Guaranty funds	2,666,531	-	2,666,531
Electronic data processing equipment and software	118,594,264	118,516,351	77,913
Furniture and equipment	1,954,233	1,954,233	-
New adjustment due to foreign exchange rates	-	-	-
Receivables from parent, subsidiaries, affiliates	4,615,031	-	4,615,031
Health care and other amounts receivable	-	-	-
Aggregate write-ins for other-than-invested assets:	206,034,326	122,692,722	83,341,604
Total Assets excluding separate, segregated, and protected accounts	<u>\$5,589,848,400</u>	<u>\$259,698,961</u>	<u>\$5,330,149,439</u>
 Total assets	 <u>\$5,589,848,400</u>	 <u>\$259,698,961</u>	 <u>\$5,330,149,439</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$2,030,389,850
Reinsurance payable on paid losses and loss adjustment expenses	42,759,603
Loss adjustment expenses	392,916,208
Commissions payable, contingent and other	67,551,860
Other expenses	55,130,604
Taxes, licenses and fees	15,001,557
Current federal and foreign income taxes	-
Net deferred tax liability	-
Borrowed money	58,850,833
Unearned premiums	983,725,028
Advance premium	2,698,777
Dividends declared and unpaid:	
Stockholders	-
Policyholders	454,384
Ceded reinsurance premiums payable	10,861,455
Funds held by company under reinsurance treaties	934,260
Amounts withheld or retained for account of others	50,735,449
Remittances and items not allocated	33,318,449
Provision for reinsurance	1,797,000
Net adjustments in assets and liabilities due to foreign exchange rates	64,637
Drafts outstanding	-
Payable to parent, subsidiaries, and affiliates	-
Derivatives	-
Payable for securities	-
Payable for securities lending	-
Liability for amounts held under uninsured plans	-
Capital notes	-
Aggregate write-ins for liabilities	<u>12,616,019</u>
Total liabilities	<u>\$3,759,805,972</u>
Aggregate write-ins for special surplus funds	-
Common capital stock	-
Preferred capital stock	-
Aggregate write-ins for other than special surplus funds	-
Surplus notes	\$ 100,000,000
Gross paid in and contributed to surplus	-
Unassigned funds (surplus)	<u>1,470,343,467</u>
Surplus as regards policyholders	<u>\$1,570,343,467</u>
Total liabilities and surplus	<u>\$5,330,149,439</u>

STATEMENT OF INCOME

<u>Underwriting Income</u>	
Premiums earned	\$2,067,485,754
<u>Deductions</u>	
Losses incurred	\$1,274,351,781
Loss adjustment expenses incurred	252,562,901
Other underwriting expenses incurred	721,866,912
Aggregate write-ins for underwriting deductions	<u>-</u>
Total underwriting deductions	<u>\$2,248,781,595</u>
Net underwriting gain	\$ (181,295,840)
<u>Investment Income</u>	
Net investment income earned	\$ 154,555,564
Net realized capital gains	<u>4,508,470</u>
Net investment gain	\$ 159,064,034
<u>Other Income</u>	
Net (loss) from agents' or premium balances charged off	\$ (861,227)
Finance and service charges not included in premiums	1,977,360
Aggregate write-ins for miscellaneous income	<u>3,656,167</u>
Total other income	<u>\$ 4,772,300</u>
Net income before dividends to policyholders	\$ (17,459,506)
Dividends to policyholders	<u>23,508,962</u>
Net income before federal income tax	\$ (40,968,468)
Federal and foreign income taxes incurred	<u>(5,615,281)</u>
Net income	<u>\$ (35,353,187)</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2022	<u>\$1,610,131,772</u>
<u>Gains and (Losses) in Surplus</u>	
Net income	\$ (35,353,187)
Change in net unrealized capital gains	(42,684,241)
Change in net unrealized foreign exchange capital gain	1,781,422
Change in net deferred income tax	25,250,383
Change in nonadmitted assets	(7,038,316)
Change in provision for reinsurance	4,088,000
Aggregate write-ins for gains and losses in surplus	14,167,634
Change in surplus as regards policyholders for the year	<u>\$ (39,788,305)</u>
Surplus as regards policyholders, December 31, 2023	<u>\$1,570,343,467</u>

CASH FLOW STATEMENT

Cash from Operations

Premiums collected net of reinsurance	\$1,997,316,409	
Net investment income	163,380,851	
Miscellaneous income	<u>5,134,939</u>	
Total		\$2,165,832,199
Benefit and loss related payments	\$1,026,254,438	
Commissions, expenses paid and aggregate write-ins	932,735,889	
Dividends paid to policyholders	23,559,658	
Federal and foreign income taxes paid (recovered)	<u>(1,732,735)</u>	
Total		<u>\$1,980,817,250</u>
Net cash from operations		<u>\$ 185,014,949</u>

Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	\$ 334,899,223	
Stocks	371,220,429	
Other invested assets	101,173,682	
Miscellaneous proceeds	<u>2,992,078</u>	
Total investment proceeds		\$ 810,285,413
Cost of investments acquired (long-term only):		
Bonds	\$ 555,273,679	
Stocks	309,709,173	
Real estate	2,103,454	
Other invested assets	34,591,810	
Miscellaneous applications	<u>97,328</u>	
Total investments acquired		<u>\$ 901,775,444</u>
Net cash from investments		<u>\$ (91,490,031)</u>

Cash from Financing and Miscellaneous Sources

Borrowed funds	\$ (23,299,462)	
Other cash provided (applied)	<u>1,069,840</u>	
Net cash from financing and miscellaneous sources		<u>\$ (22,229,622)</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments	\$ 71,295,296
Cash, cash equivalents and short-term investments:	
Beginning of year	<u>42,550,280</u>
End of period	<u>\$ 113,845,576</u>

CONCLUSION

The cooperation and assistance extended by the officers and employees of the Company is hereby acknowledged.

In addition to the undersigned, Jan Moenck, CFE, Kristina Gaddis, CFE, CISA, AES, Edward Toy, Dave Heppen, FCAS, MAAA, Andrew Chandler, ACAS, MAAA, and Edward Yao, FCAS, CFA, CERA, MAAA of Risk & Regulatory Consulting, LLC; Josh Pietan, Aaron Syverson, and Logan Thomsen; Financial Examiners for the Iowa Insurance Division participated in the examination and preparation of this report.

Respectfully submitted,

/s/ Joshua J. Johnson
Joshua J. Johnson, CFE
Examiner in Charge
Risk & Regulatory Consulting, LLC
On behalf of the Iowa Insurance Division

/s/ Amanda Theisen
Amanda Theisen, CFE
Supervisor and Assistant Chief Examiner
Iowa Insurance Division