

EXAMINATION REPORT OF  
ILLINOIS EMCASCO INSURANCE 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

ILLINOIS EMCASCO INSURANCE 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

Illinois EMCASCO Insurance 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 affiliated insurance companies including Employers Mutual Casualty Company, EMC Property & Casualty Company, EMC Reinsurance Company, Dakota Fire Insurance Company, 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 commenced business on March 11, 1976, following incorporation in Illinois as a multiple-line property and casualty insurer on February 4, 1976. The Company was organized by the Employers Mutual Casualty Company located in Des Moines, Iowa.

The Company re-domesticated to the State of Iowa from the State of Illinois effective December 24, 2001.

On September 19, 2019, the Company's ultimate parent, Employers Mutual Casualty Company, acquired all remaining public shares of EMC Insurance Group, Inc., an intermediate holding company. On September 30, 2023, EMC Insurance Group, Inc. was dissolved.

## CAPITAL STOCK AND DIVIDENDS TO STOCKHOLDERS

The authorized capital stock of the Company is \$100,000,000 represented by 1,000,000 shares of common stock with a par value of \$100 per share. Issued and outstanding capital, as of December 31, 2023, consists of 20,000 shares of common stock, all of which is held by Employers Mutual Casualty Company. Common capital stock and gross paid in and contributed surplus totaled \$2,000,000 and \$19,745,679, respectively.

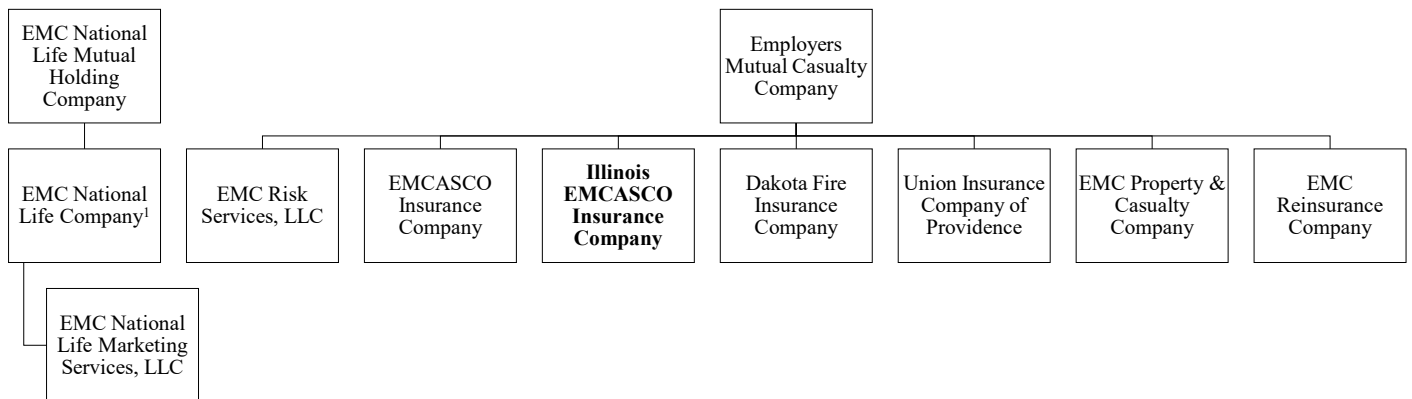
During the examination period, the Company paid dividends to Employers Mutual Casualty Company as follows:

<u>Year</u>	<u>Dividends</u>
2019	\$ 3,500,000
2023	\$17,972,000

## INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of a Holding Company System as defined by as defined by Chapter 521A, Code of Iowa. Employers Mutual Casualty Company is the ultimate controlling entity for the group. 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:



<sup>1</sup> 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

### SHAREHOLDERS

The regular annual meeting of the shareholders shall be held during the first four months of each year, upon such date and at such time as may be determined by the Chief Executive Officer or the Board of Directors, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday in the State of Iowa, such meeting shall be held on the next succeeding business day. If the election of directors shall not be held on the day designated herein for an annual meeting of the shareholders or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the shareholders as soon thereafter as is practicable.

Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by the act, may be called by the Chief Executive Officer or by the Board of Directors, and shall be called by the Chief Executive Officer at the request of the holders of not less than ten percent of all outstanding shares of capital stock of the corporation entitled to vote at the meeting.

Each issued and outstanding share of capital stock shall be entitled to one vote upon each matter submitted to a vote at a meeting of shareholders. If a quorum is present at a meeting of shareholders, the affirmative vote of a majority of the shares represented in person or by proxy at the meeting shall be the act of the shareholders unless the vote of a greater number of shares or voting by classes is required by the Act or the corporation's Restated Articles of Incorporation or these By-Laws, and voting shall be non-cumulative.

### BOARD OF DIRECTORS

All corporate powers shall be exercised by or under authority of, and the business and affairs of the corporation shall be managed under the direction of, the Board of Directors. The number of directors of the corporation shall be fixed at twelve. The shareholders shall have the power to declare any director offices vacant, provided the board shall in no event consist of less than the minimum number of directors required by the Corporations' Restated Articles of Incorporation. Each director shall hold office until the next annual meeting of shareholders and until his or her successor shall have been elected and qualified, or until such director's death or resignation or removal from office. A majority of the directors shall be residents of the State of Iowa.

A regular meeting of the Board shall be held without other notice than the by-laws immediately after, and at the same place as the annual meeting of the shareholders. Additional regular meetings of the board of directors, if any, shall be held on call of the chief executive officer or the executive committee at such time and place within or without the State of Iowa and upon such noticed as he, she or it shall determine.

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

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
Ian C. Asplund Clive, Iowa	Senior Vice President, Chief Actuary & Analytics Officer Employers Mutual Casualty Company	2024
Ann M. Collins Adel, Iowa	Executive Vice President, Chief Financial Officer Employers Mutual Casualty Company	2024
Bradley J. Fredericks Johnston, Iowa	Senior Vice President, Chief Investment Officer Employers Mutual Casualty Company	2024
Scott R. Jean West Des Moines, Iowa	President, Chief Executive Officer Employers Mutual Casualty Company	2024

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
Philip R. Lucca <sup>1</sup> Brookfield, Wisconsin	Senior Vice President, Chief Field Officer Employers Mutual Casualty Company	2024
Elizabeth A. Nigut West Des Moines, Iowa	Executive Vice President Employers Mutual Casualty Company	2024
Todd A. Strother Ankeny, Iowa	Executive Vice President, Chief Legal Officer Employers Mutual Casualty Company	2024

<sup>1</sup> Phillip Luca retired on February 12, 2024. Ed Pulkstenis, Senior Vice President, Chief Underwriting Officer, was elected on November 18, 2024.

## COMMITTEES

The Board of Directors, by resolution adopted by a majority of the full Board, 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 such number of directors, but not less than three, as the Board may determine. The Chief Executive Officer of the corporation shall be a member and Chairman of the executive committee and may be a member of any other committee.

The duly elected directors serving on committees were as follows:

### Executive

Scott Jean, Chair  
Ann Collins  
Elizabeth Nigut  
Todd Strother

### Investment

Scott Jean, Chair  
Bradley Fredericks  
Ann Collins

The governance and oversight functions provided by Employers Mutual Casualty Company's board committees also apply to the Company. Appointments to the Employers Mutual Casualty 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 Chairman, a President, a Chief Executive Officer, a Chief Operating Officer, one or more executive vice presidents, one or more senior vice presidents, one or more vice presidents, a Secretary, a Treasurer, and a General Counsel, each of whom shall be elected by the Board of Directors. Any executive office, except that of Chairman, President, one vice president, treasurer, 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	Executive Vice President, Chief Legal Officer
Ian C. Asplund	Senior Vice President, Chief Actuary & Analytics Officer
Bradley J. Fredericks	Senior Vice President, Chief Investment Officer
Philip R. Lucca <sup>1</sup>	Senior Vice President, Chief Field Officer
Mary M. Weist <sup>2</sup>	Senior Vice President, Chief Claims Officer
Douglas S. Van Zanten	Vice President, Deputy General Counsel & Secretary

<sup>1</sup> Phillip Luca retired on February 12, 2024, and no successor was named.

<sup>2</sup> 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. The conflict-of-interest questionnaires were found to be signed annually, and relevant disclosures were reviewed by the Company and/or the Board of Directors. There were no disclosures that were determined to present a material conflict of interest.

## CORPORATE RECORDS

The recorded minutes of the Shareholders, 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.

There were no amendments to the Company's Articles of Incorporation during the examination period.

The By-Laws of the Company were amended on December 11, 2020. The amendments to the By-Laws of the Company are summarized as follows:

- Revised the number of directors of the corporation from six to twelve.
- Revised so that the shareholders have the power to declare any director offices vacant, provided that the Board shall in no event consist of less than the minimum number of directors required by the Articles of Incorporation.

## RELATED PARTY AGREEMENTS

### Service Agreement with Affiliates Party to Pooling Agreement

The Company entered into a Service Agreement with Employers Mutual Casualty Company and its affiliates, whereby Employers Mutual Casualty Company shall provide certain management, operational and administrative services to its affiliates 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 Employers Mutual Casualty 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.

### Investment Management Agreement

The Company entered into an Investment Management Agreement with Employers Mutual Casualty Company and its affiliates, whereby Employers Mutual Casualty 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.

### Tax Allocation Agreement

The Company entered into a Tax Allocation Agreement with Employers Mutual Casualty Company and its 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. Employers Mutual Casualty 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 Employers Mutual Casualty 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 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.

## FIDELITY BONDS AND OTHER INSURANCE

Employers Mutual Casualty Company (EMCC) 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

Employers Mutual Casualty 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 employee utilization.

## 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 parent and affiliates, whereby the affiliated companies cede all of their gross insurance business to the Employers Mutual Casualty Company and assume from Employers Mutual Casualty 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 from unaffiliated insurance companies, are prorated among the companies on the basis of participation in the pool. Employers Mutual Casualty 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%
<b>Illinois EMCASCO Insurance Company</b>	<b>0%</b>
Dakota Fire Insurance Company	0%
EMC Property & Casualty Company	0%
Union Insurance Company of Providence	0%

Reinsurance premium ceded to reinsurance pool for 2023 was \$7,458,000



CEDED

The Company and its affiliates participating in the reinsurance pooling agreement are named insureds on all reinsurance treaties. 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 \$2,965,756, which met the minimum statutory requirement.

### TERRITORY AND PLAN OF OPERATION

During the exam period, the Company was eligible to write surplus lines in 34 jurisdictions. During 2022 the company requested that all 34 states withdraw its status as an eligible surplus lines insurer. As of the date of this report, the Company is licensed as an admitted carrier in Iowa, Illinois, New York, Kansas, Texas, Georgia, Wisconsin, Louisiana, and Utah to write a small business program product, which includes businessowners, commercial auto, workers' compensation, and commercial umbrella lines of business. See subsequent events section for future operational plans.

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 EMC Insurance Companies operate as multiple-line property and casualty insurance writers. The majority of direct business is written in other liability, commercial auto liability and workers' compensation lines of coverage.

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 Reinsurance Pooling Agreement was restructured and amended to decrease the Company's pooling percentage from 10% to 0% 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	\$388,056,637	\$109,039,731	\$170,572,487	\$92,855,997	\$11,451,523
2020	225,968,090	130,065,758	-	-	5,528,353
2021	197,821,966	136,335,865	-	-	5,172,532
2022	165,773,164	139,657,626	-	-	5,508,855
2023	128,477,334	125,627,919	-	-	4,805,796

## 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

On September 12, 2024, the Company issued 13,000 additional shares of common stock at par value. On December 30, 2024, the Company issued an additional 2,000 shares of common stock at par value.

As of the date of this report, the Company is licensed as an admitted carrier in Iowa, Illinois, New York, Kansas, Texas, Georgia, Wisconsin, Louisiana, and Utah to write a small business program product, which includes businessowners, commercial auto, workers' compensation, and commercial umbrella lines of business. Applications for Certificates of Authority have been filed in Kentucky, Massachusetts, Minnesota, Nevada, New Hampshire, New Jersey, Oklahoma, Pennsylvania, Virginia, and Washington. The Company plans to file applications for Certificates of Authority in Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, the District of Columbia, Idaho, Indiana, Maryland, Michigan, Mississippi, Missouri, Montana, Nebraska, New Mexico, North Carolina, North Dakota, Ohio, Oregon, Rhode Island, South Carolina, South Dakota, Tennessee, and Wyoming.

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>	Not <u>Admitted</u>	<u>Admitted</u>
Bonds	\$112,832,424	\$ -	\$112,832,484
Stocks:			
Preferred stocks	3,462,700	-	3,462,700
Cash and short-term investments	2,630,533	-	2,630,533
Other invested assets	8,598,191	-	8,598,191
Receivable for securities	48,664	-	48,664
Subtotals, cash and invested assets	\$127,572,512	\$ -	\$127,572,512
Investment income due and accrued	904,822	-	904,822
Total Assets excluding separate, segregated, and protected accounts	<u>128,477,334</u>	-	<u>128,477,334</u>
Total assets	<u>\$128,477,334</u>	<u>\$ -</u>	<u>\$128,477,334</u>

### LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$ -
Loss adjustment expenses	-
Other expenses	1,953
Current federal and foreign income taxes	1,934,507
Net deferred tax liability	810,187
Payable to parent, subsidiaries, and affiliates	<u>102,768</u>
Total liabilities	<u>\$ 2,849,415</u>
Common capital stock	\$ 2,000,000
Gross paid in and contributed to surplus	19,745,679
Unassigned funds (surplus)	<u>103,882,240</u>
Surplus as regards policyholders	<u>\$125,627,919</u>
Total liabilities and surplus	<u>\$128,477,334</u>

## STATEMENT OF INCOME

<u>Underwriting Income</u>		
Premiums earned		\$ -
<u>Deductions</u>		
Losses incurred	\$ -	
Loss adjustment expenses incurred	-	
Other underwriting expenses incurred	-	
Aggregate write-ins for underwriting deductions	-	
Total underwriting deductions	<u>-</u>	<u>\$ -</u>
Net underwriting gain		\$ -
<u>Investment Income</u>		
Net investment income earned	\$4,805,796	
Net realized capital gains	<u>(218,103)</u>	
Net investment gain		\$ 4,587,693
<u>Other Income</u>		
Aggregate write-ins for miscellaneous income	<u>\$ (1)</u>	
Total other income		<u>\$ (1)</u>
Net income before dividends to policyholders		\$ 4,587,692
Dividends to policyholders		<u>-</u>
Net income before federal income tax		\$ 4,587,692
Federal and foreign income taxes incurred		<u>1,034,902</u>
Net income		<u>\$ 3,552,790</u>

## CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2022		<u>\$139,657,626</u>
<u>Gains and (Losses) in Surplus</u>		
Net income		\$ 3,552,790
Change in net unrealized capital gains		251,933
Change in net deferred income tax		137,570
Dividends to stockholders		(17,972,000)
Change in surplus as regards policyholders for the year		<u>\$ (14,029,707)</u>
Surplus as regards policyholders, December 31, 2023		<u>\$125,627,919</u>

## CASH FLOW STATEMENT

### Cash from Operations

Net investment income	\$ 5,839,437	
Miscellaneous income	<u>(1)</u>	
Total		\$ 5,839,436
Federal and foreign income taxes paid (recovered)	<u>25,000</u>	
Total		<u>\$ 25,000</u>
Net cash from operations		<u>\$ 5,814,436</u>

### Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	\$ 39,266,835	
Stocks	473,000	
Other invested assets	<u>446,973</u>	
Total investment proceeds		\$ 40,186,808
Cost of investments acquired (long-term only):		
Bonds	\$ 431,499	
Other invested assets	868,027	
Miscellaneous applications	<u>48,664</u>	
Total investments acquired		<u>\$ 1,348,190</u>
Net cash from investments		<u>\$ 38,838,617</u>

### Cash from Financing and Miscellaneous Sources

Borrowed funds	\$(24,145,687)	
Dividends to stockholders	17,972,000	
Other cash provided (applied)	<u>(51,099)</u>	
Net cash from financing and miscellaneous sources		<u>\$(42,168,786)</u>

## RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments	\$ 2,484,268
Cash, cash equivalents and short-term investments:	
Beginning of year	<u>146,265</u>
End of period	<u>\$ 2,630,533</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  
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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