

EXAMINATION REPORT OF  
UNION INSURANCE COMPANY OF PROVIDENCE  
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

UNION INSURANCE COMPANY OF PROVIDENCE

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

Union Insurance Company of Providence, 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 Illinois EMCASCO Insurance Company, 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 as the Union Mutual Insurance Company of Providence under a special Act of the General Assembly of the State of Rhode Island and Providence Plantations. The Company was originally chartered at the May Session, 1863 and commenced business in September of the same year. The Charter was subsequently amended by Acts of the General Assembly in the years 1912, 1928, 1937 and 1953.

Union Mutual had been affiliated with Employers Mutual Casualty Company (EMCC) of Des Moines, Iowa through interlocking directorates and through the purchase by EMCC of all the outstanding guaranty fund certificates of the Company. Holders of the certificates were authorized to elect one-half of the members of the Board of Directors of Union Mutual, in accordance with the provisions of the Company's charter.

At a special meeting held March 15, 1994, the members voted to adopt a "Plan of Re-capitalization and Conversion" pursuant to which the Company was converted from a Rhode Island chartered mutual insurance company to a Rhode Island chartered stock insurance company. Concurrently, the Company's common stock was sold to its members and/or Employers Mutual Casualty Company. In connection with the demutualization of the Company, the name was changed from Union Mutual Insurance Company of Providence to Union Insurance Company of Providence. The Superintendent of the State of Rhode Island Department of Business Regulation approved this Plan on January 24, 1994.

At the June 12, 1996, Board of Directors meeting, Employers Mutual Casualty Company authorized the acquisition of all outstanding shares of the common stock of the Company. The Company re-domesticated to the State of Iowa from the State of Rhode Island effective January 1, 1999.

## CAPITAL STOCK AND DIVIDENDS TO STOCKHOLDERS

The authorized capital stock of the Company is \$7,500,000 represented by 1,250,000 shares of common stock with a par value of \$6 per share. Issued and outstanding capital, as of December 31, 2023, consists of 880,000 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 \$5,280,000 and \$2,988,375, respectively.

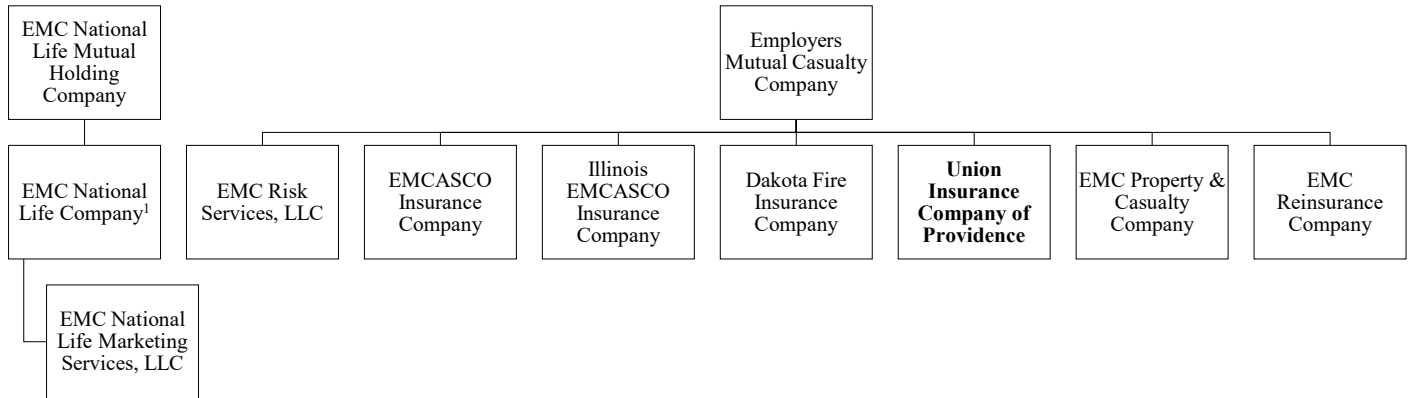
During the examination period the Company paid dividends to Employers Mutual Casualty Company as follows:

<u>Year</u>	<u>Dividends</u>
2019	\$11,352,000
2020	\$ 8,333,600
2021	\$ 7,682,400
2022	\$ 2,288,000
2023	\$ 6,072,000

## 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 Bylaws provide that the annual meeting of the shareholders shall be held during the first six months of each year, upon such date and at such time as may be determined by the Chief Executive Officer for the purpose of electing directors and for the transaction of such other business as may become before the meeting.

Special meetings of the shareholders 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 in the meeting.

The holders of a majority of the issued and outstanding shares of capital stock of the corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at all meetings of the shareholders.

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 the 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 board shall consist of twelve members. The board shall be divided into three classes of approximately equal size. 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 be elected to a three-year term. 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>
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
Todd A. Strother Ankeny, Iowa	Executive Vice President, Chief Legal Officer Employers Mutual Casualty Company	2024
Ian C. Asplund Clive, Iowa	Senior Vice President, Chief Actuary & Analytics Officer Employers Mutual Casualty Company	2025
Philip R. Lucca <sup>1</sup> Brookfield, Wisconsin	Senior Vice President, Chief Field Officer Employers Mutual Casualty Company	2025
Elizabeth A. Nigut West Des Moines, Iowa	Executive Vice President Employers Mutual Casualty Company	2025
Scott R. Jean West Des Moines, Iowa	President, Chief Executive Officer Employers Mutual Casualty Company	2026

<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:

<u>Executive</u>	<u>Investment</u>
Scott Jean, Chair	Scott Jean, Chair
Ann Collins	Bradley Fredericks
Elizabeth Nigut	Ann Collins
Todd Strother	

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 Company shall be a Chairman, a Vice Chairman, a President, 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

<u>Name</u>	<u>Title</u>
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 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%
Illinois EMCASCO Insurance Company	0%
Dakota Fire Insurance Company	0%
EMC Property & Casualty Company	0%
<b>Union Insurance Company of Providence</b>	<b>0%</b>

Reinsurance premium ceded to reinsurance pool for 2023 was \$91,012,000

### 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 \$2,358,985, which met the minimum statutory requirement.

## TERRITORY AND PLAN OF OPERATION

The Company is licensed in 44 jurisdictions and is also eligible to write surplus lines in North Dakota with the majority of direct premium written in Kansas, Michigan, Minnesota, North Carolina, Wisconsin, and Texas. The EMC Insurance Companies are a multiple-line property and casualty insurance writer that are licensed in all fifty states and the District of Columbia. The majority of direct business is written in allied lines, workers' compensation, and other liability 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, reflects the growth of the Company:

<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	\$39,399,554	\$36,808,486	\$-	\$-	\$1,526,554
2020	29,538,871	29,320,478	-	-	1,147,131
2021	24,486,707	22,447,968	-	-	846,265
2022	20,749,513	20,611,397	-	-	747,577
2023	15,413,684	15,173,727	-	-	702,190

## 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

No significant subsequent events were noted.

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	\$13,618,721	\$ -	\$13,618,721
Stocks:			
Preferred stocks	1,001,200	-	1,001,200
Cash and short-term investments	251,613	-	251,613
Other invested assets	<u>360,631</u>	-	<u>360,631</u>
Subtotals, cash and invested assets	\$15,232,165	\$ -	\$15,232,165
Investment income due and accrued	162,093	-	162,093
Net deferred tax asset	19,426	-	19,426
Total Assets excluding separate, segregated, and protected accounts	<u>15,413,684</u>	<u>-</u>	<u>15,413,684</u>
 Total assets	<u>\$15,413,684</u>	<u>\$ -</u>	<u>\$15,413,684</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$ -
Loss adjustment expenses	-
Other expenses	1,875
Current federal and foreign income taxes	205,475
Payable to parent, subsidiaries, and affiliates	<u>32,607</u>
 Total liabilities	<u>\$ 239,957</u>
 Common capital stock	5,280,000
Gross paid in and contributed to surplus	2,988,375
Unassigned funds (surplus)	<u>6,905,352</u>
 Surplus as regards policyholders	<u>\$15,173,727</u>
 Total liabilities and surplus	<u>\$15,413,684</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	\$702,190	
Net realized capital gains	<u>(15,078)</u>	
Net investment gain		\$ 687,112
<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		\$ 687,113
Dividends to policyholders		<u>-</u>
Net income before federal income tax		\$ 687,113
Federal and foreign income taxes incurred		<u>107,722</u>
Net income		<u>\$ 579,391</u>

## CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2022	<u>\$20,611,397</u>
<u>Gains and (Losses) in Surplus</u>	
Net income	\$ 579,391
Change in net unrealized capital gains	57,768
Change in net deferred income tax	(2,829)
Dividends to stockholders	(6,072,000)
Change in surplus as regards policyholders for the year	<u>\$ (5,437,670)</u>
Surplus as regards policyholders, December 31, 2023	<u>\$15,173,727</u>

## CASH FLOW STATEMENT

### Cash from Operations

Net investment income	\$ 891,654	
Miscellaneous income	<u>1</u>	
Total		\$ 891,655
Federal and foreign income taxes paid (recovered)	<u>\$ 5,000</u>	
Total		<u>\$ 5,000</u>
Net cash from operations		<u>\$ 886,655</u>

### Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	\$5,392,994	
Stocks	736,000	
Other invested assets	<u>97,713</u>	
Total investment proceeds		\$ 6,226,707
Cost of investments acquired (long-term only):		
Bonds	<u>\$1,151,345</u>	
Total investments acquired		<u>\$ 1,151,345</u>
Net cash from investments		<u>\$ 5,075,362</u>

### Cash from Financing and Miscellaneous Sources

Dividends to stockholders	\$6,072,000	
Other cash provided (applied)	(15,460)	
Net cash from financing and miscellaneous sources		<u>\$ (6,087,460)</u>

## RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments	\$ (125,444)
Cash, cash equivalents and short-term investments:	
Beginning of year	<u>377,057</u>
End of period	<u>\$ 251,613</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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Examiner in Charge  
Risk & Regulatory Consulting, LLC  
On behalf of the Iowa Insurance Division

/s/ Amanda Theisen  
\_\_\_\_\_  
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Supervisor and Assistant Chief Examiner  
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