

MARKET CONDUCT  
EXAMINATION REPORT OF  
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 marketing practices of

EMCASCO INSURANCE COMPANY

DES MOINES, IOWA

AS OF DECEMBER 31, 2023

at its Home Office, 717 Mulberry Street, Des Moines, Iowa.

### INTRODUCTION

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

### SCOPE OF EXAMINATION

This risk-focused, market conduct examination of EMCASCO Insurance Company, herein referred to as the "Company", covers the period from January 1, 2019, through December 31, 2023. EMCASCO Insurance Company was previously examined as of December 31, 2018.

The Company and its subsidiaries listed below were examined concurrently with this examination with a separate examination report prepared for each entity:

Employers Mutual Casualty Company (Ultimate Parent)  
EMC Property & Casualty Company  
**EMCASCO Insurance Company**  
Illinois EMCASCO Insurance Company  
Union Insurance Company of Providence

The risk-focused examination reviews the Company's internal policies, procedures, and control structures for compliance with applicable Iowa statutes and administrative rules. The examination then focuses on the Company's compliance with those policies, procedures, and control structures. This examination report primarily reflects the Company's transactions and activities with Iowa consumers.

## HISTORY

The Company was incorporated on December 8, 1958, as a stock company having perpetual existence with the authorization to write insurance other than life. The Articles of Incorporation were amended in December 1960, whereby the Company was authorized to write multiple lines of insurance.

The original Articles of Incorporation provided for \$500,000 of authorized capital consisting of 50,000 shares of common stock, par value \$10 each. The Articles were amended on December 29, 1961, and March 11, 1981, whereby the number of authorized shares of common stock was increased to 100,000 and 350,000 shares, respectively.

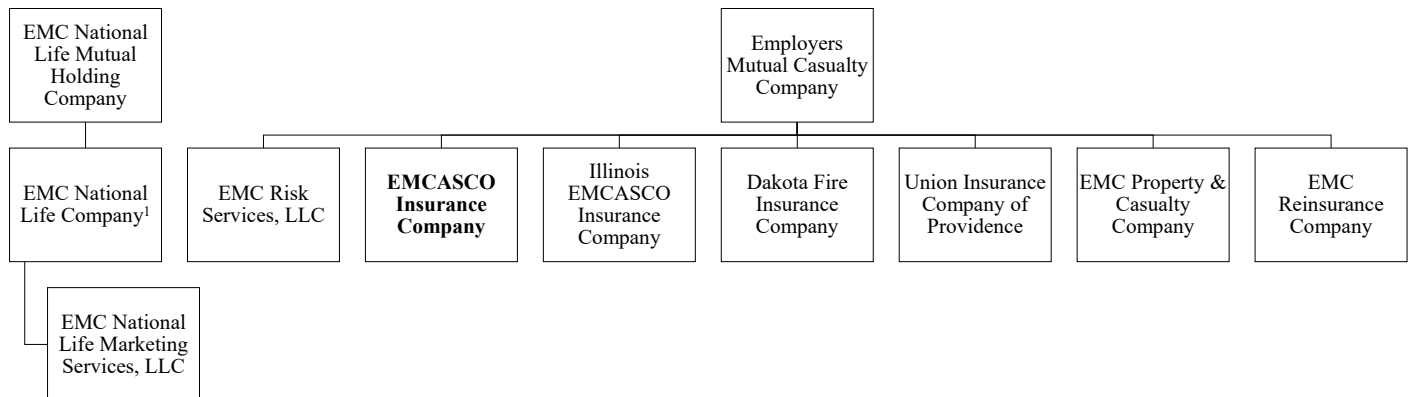
EMCASCO Insurance Company and Farm and City Insurance Company, wholly owned subsidiaries of EMC Insurance Group Inc., merged on December 31, 2007, with EMCASCO Insurance Company being the surviving entity.

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.

## 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.

## TERRITORY AND PLAN OF OPERATION

The Company is licensed in 46 jurisdictions with the majority of direct premium written in Kansas, Wisconsin, and Iowa. 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 commercial auto liability, workers' compensation, and allied 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.

## TREATMENT OF POLICYHOLDERS

The policies and procedures for the treatment of policyholders are consistent across all companies in the group.

### Claim Practices

The Examiners reviewed the Companies' claim handling policies and procedures. The Examiners performed examination procedures on a sample of 20 denied claims, 17 claims without payment, and 19 paid claims from EMCASCO Insurance Company, to verify timeliness of settlement, accuracy of payments, and adherence to claim policies and procedures. All of the sampled claims were determined to follow claim handling guidelines and were in compliance with applicable statutes and regulations.

### Complaints

The Examiners reviewed the complaint register and complaint handling process. The Companies' complaint register was determined to be in compliance with applicable statutes and regulations. The Examiners reviewed a sample of 43 complaints against the Companies received during the examination period and reviewed them for compliance with the Companies' own policies and Iowa standards. Sufficient documentation for one of the complaints sampled from calendar year 2019 was not provided. Subsequently, the Companies have implemented corrective actions, including changes to the Companies' regulatory and compliance management team and updates to the Company's policies and procedures to address deficiencies in the Companies' complaint handling process.

### Underwriting

The Examiners reviewed the Companies' underwriting guidelines and policies and procedures for reasonableness and to ensure adherence to underwriting standards. The Examiners reviewed a sample of 10 denied applications and 84 cancelled/non-renewed policies from across the Companies to verify denials and cancellation/non-renewals were handled appropriately according to Iowa standards and the Companies' underwriting policies and procedures. All samples tested were determined to follow underwriting guidelines and were in compliance with applicable statutes and regulations.

## PRODUCER LICENSING

The Examiners reviewed the Companies' producer licensing policies and procedures. The Examiners reconciled and verified the Iowa Insurance Division's listing of licensed and appointed agents and terminated agents to the Companies' records. The Examiners determined that the Companies were in compliance with applicable statutes and regulations.

## OPERATIONS AND MANAGEMENT

### Outsourcing Management

The Examiners reviewed information pertaining to outside vendors used by the Companies, the guidelines for service standards, and procedures to enforce or correct any vendor actions not within service level standards or agreements as part of the outsourcing management review. The Examiners noted that the Companies outsource Claims Administrative Services with several vendors. The Examiners determined that appropriate guidelines and procedures were in place to enforce or correct any actions that are not within agreed upon service level standards.

### Record Retention

The Examiners reviewed the Companies' record management policy and record retention schedule. The Companies' record retention policies were compliant with Iowa standards. The Examiners also noted that documentation reviewed during the examination had a retention period of five years or more.

## MARKETING AND SALES

The Examiners reviewed the advertising log, advertising materials, and pulled a sample of advertising materials for evidence of review and approval. The advertising materials were appropriately documented and appeared to follow the Companies' guidelines. The Examiners determined that the Companies were in compliance with applicable statutes and regulations.

## CONCLUSION

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

In addition to the undersigned, Josh Pietan and Aaron Syverson, Financial Examiners with the Iowa Insurance Division examiners 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/ Will Speicher  
Will Speicher, CPCU  
Market Conduct Coordinator – Insurance Examiner  
Iowa Insurance Division