

MARKET CONDUCT
EXAMINATION REPORT OF
EMCASCO INSURANCE COMPANY
DES MOINES, IOWA
AS OF DECEMBER 31, 2018

Des Moines, Iowa
September 29, 2020

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 INURANCE COMPANY

DES MOINES, IOWA

AS OF DECEMBER 31, 2018

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, 2014 through December 31, 2018.

The Company and its subsidiaries listed below were examined concurrently with this examination.

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 internal policies, procedures, and control structures for compliance with applicable Iowa statutes and administrative rules. The examination then focuses on compliance with those policies, procedures, and control structures.

HISTORY

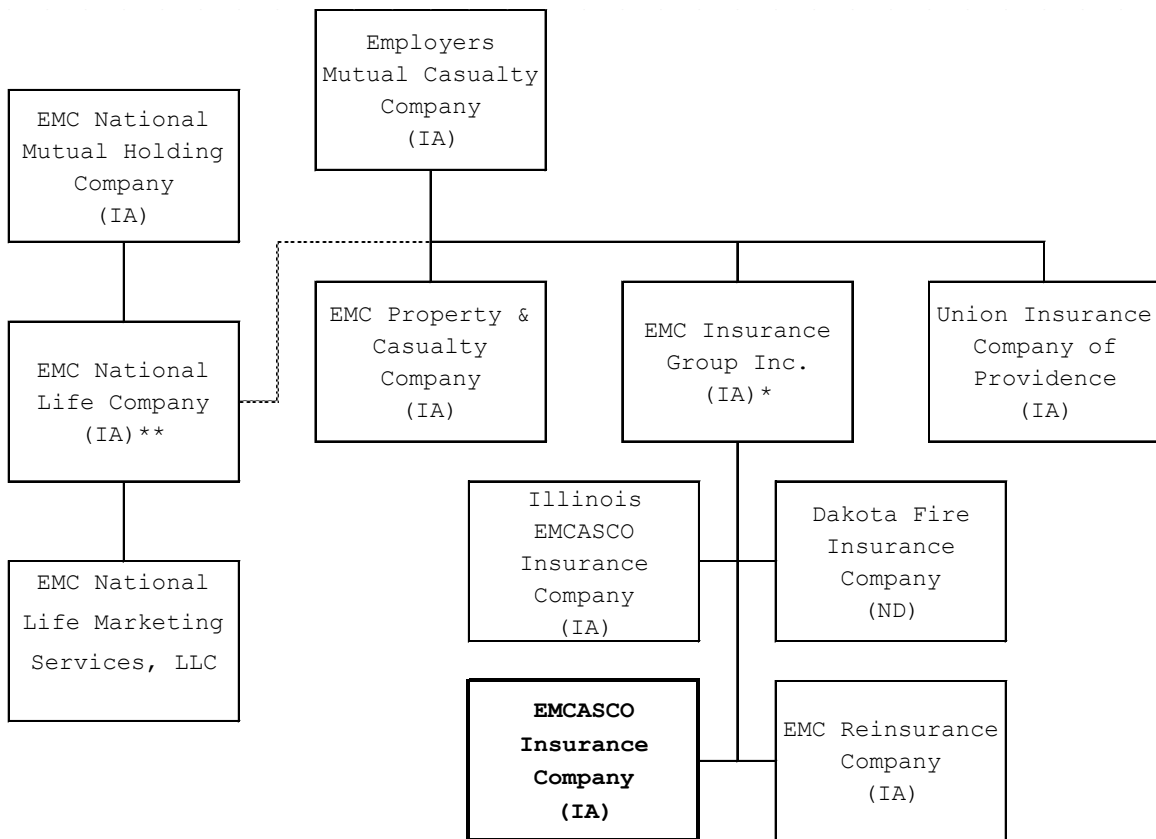
The Company was incorporated on December 8, 1958 as a stock company having perpetual existence with the authorization to write insurance other than life. The Articles of Incorporation were amended in December 1960, whereby the Company was authorized to write multiple lines of insurance.

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.

INSURANCE HOLDING COMPANY SYSTEM

Employers Mutual Casualty Company is the Ultimate Parent of a Holding Company System (known as EMC Insurance Companies) as defined by Chapter 521A, Code of Iowa. The identity of holding company members is shown as of December 31, 2018 in the following organizational chart:



* Employers Mutual Casualty Company owns 55.8% of the voting stock, the remainder is publicly owned

** EMC National Mutual Holding Company owns 51% of the voting stock, Employers Mutual Casualty Company owns 49% of the voting stock

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.

The Company exited personal lines in April 2019 and all such business is expected to roll off by April 2020, with the exception of auto policies in Idaho.

Marketing of products for the Company is conducted through 16 branch offices located throughout the U.S. and produced by approximately 1,900 local independent agencies. The Branch Offices operate as individual profit centers with underwriting, claims, marketing and loss control functions with the largest direct writers located in Des Moines, Charlotte, and Wichita.

The following are the top five states for direct written premium reported in 2018 for the Company.

<u>State</u>	<u>Direct Premiums Written</u>	<u>Percentage of total</u>
Wisconsin	\$ 60,765,130	<u>16%</u>
Iowa	37,011,241	<u>10%</u>
Kansas	32,944,807	<u>9%</u>
Michigan	30,295,825	<u>8%</u>
<u>Minnesota</u>	<u>22,223,295</u>	<u>6%</u>
Total	\$ 387,210,594	<u>100%</u>

TREATMENT OF POLICYHOLDERS

Claim Practices

The Examiners reviewed the Company's claim handling policies and procedures. The Examiners reviewed a sample of 50 paid claims to verify timeliness of settlement, accuracy of payments, and adherence to claim policies and procedures. The Examiners also reviewed a sample of 35 claims that were closed without payment. It appeared all procedures were in compliance with applicable statutes and regulations.

Complaints

The Examiners reviewed the complaint register and complaint handling process. To ensure the Company is appropriately logging complaints, the Examiners reconciled the Iowa Insurance Division's complaint list to the complaint register. The register was missing one complaint. The register was also inaccurate as to certain data fields. The Examiners pulled a sample of complaints received during the Examination Period to determine if the Company provided complete responses and took appropriate actions to address the complaint matters. The Examiners found the complaint records were incomplete.

Producer Licensing

The Examiners reviewed producer licensing policies and procedures. The Examiners reconciled the Iowa Insurance Division's list of licensed and appointed agents to that on file with the Company without exception. The Examiners also reconciled the list of terminated agents without exception. It appeared all procedures and practices were in compliance with applicable statutes and regulations.

CONCLUSION

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

In addition to the undersigned, Iowa Insurance Division examiners participated in the examination and preparation of this report.

Respectfully submitted,

/s/ Lindsay Bates

Lindsay Bates, CFE, MCM, PIR

Market Exam Specialist

Iowa Insurance Division