

MARKET CONDUCT
EXAMINATION REPORT OF
EMC PROPERTY & CASUALTY 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

EMC PROPERTY & CASUALTY 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 EMC Property & Casualty 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, formerly known as American Liberty Insurance Company, was incorporated on June 16, 1953, under the laws of the State of Alabama.

Since the incorporation, the Company has merged with the Penn Liberty Insurance Company, Pennsylvania in October 1953, Merchants Fire Insurance Company, Colorado in December 1960, and Empire Insurance Company, California in July 1978.

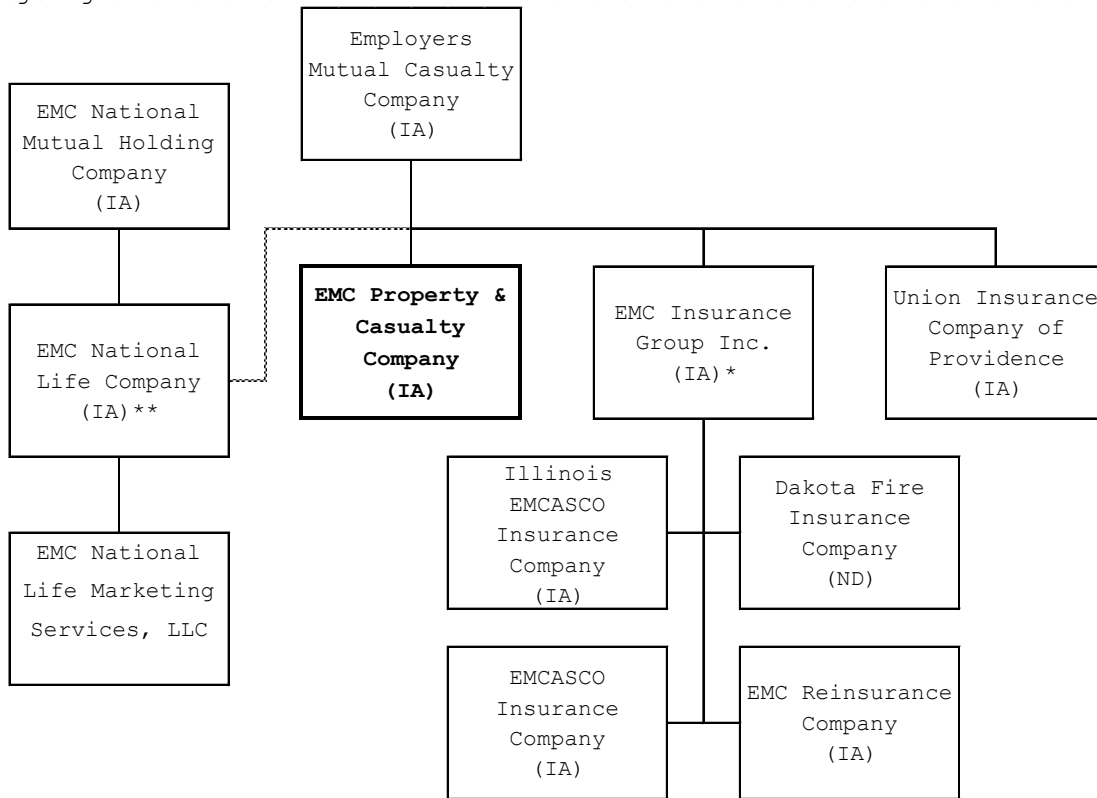
Employers Mutual Casualty Company acquired control of the Company by acquisition of 99.7 percent of the outstanding common stock from Statesman Group in December 1982 with subsequent acquisition of the remaining outstanding common stock.

The Company re-domesticated from the State of Alabama to State of Iowa October 22, 1996 and changed the par value of its stock from \$160 to \$200.

The Company, formerly known as American Liberty Insurance Company, changed its name to EMC Property & Casualty Company effective January 1, 1999.

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>
Louisiana	\$ 10,784,641	18%
Michigan	9,100,915	15%
Kansas	8,087,253	13%
North Carolina	4,929,845	8%
<u>Illinois</u>	<u>4,409,678</u>	<u>7%</u>
Total	\$ 61,457,283	100%

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