

MARKET CONDUCT
EXAMINATION REPORT OF
EMPLOYERS MUTUAL CASUALTY 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

EMPLOYERS MUTUAL CASUALTY 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 Employers Mutual Casualty Company, herein referred to as the "Company", covers the period from January 1, 2019, through December 31, 2023. Employers Mutual Casualty 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 April 25, 1911, as the Employers Mutual Casualty Association of Iowa; an association formed for the purpose of writing risks under the Workers' Compensation and Employers' Liability Act of the State of Iowa. Automobile and various public liability risks were later written in 1920, followed by burglary and bond risks in 1942. The Company became authorized to write multiple lines in 1950.

The present corporate title was adopted in January 1924. Effective March 10, 1950, the corporate charter was amended to afford perpetual corporate existence.

Effective January 1, 2018, Hamilton Mutual Insurance Company merged into the Company.

On October 29, 2018, EMC Insurance Group announced that the Company and its affiliated insurance companies would discontinue its personal lines insurance operations. The Company and its affiliated insurance companies exited the sale of personal lines insurance beginning in January of 2019.

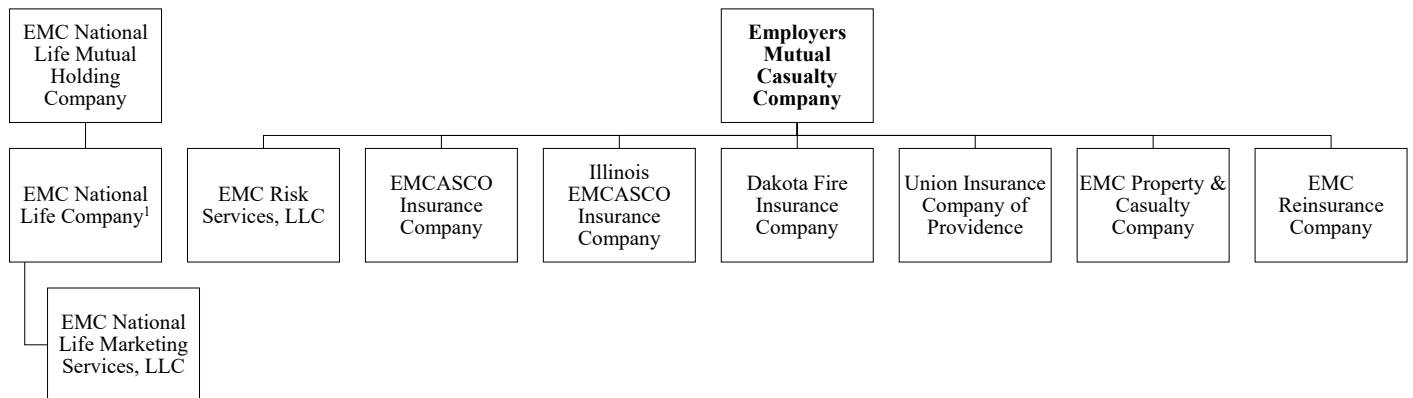
On September 19, 2019, the Company acquired all remaining public shares of EMC Insurance Group, Inc., a downstream intermediate holding company. On September 30, 2023, EMC Insurance Group, Inc. was dissolved.

On September 27, 2022, the Company announced that they would exit the assumed reinsurance business conducted through EMC Reinsurance Company and that the Company would focus on its core insurance products distributed through independent agents, including commercial property/casualty lines and bonds.

INSURANCE HOLDING COMPANY SYSTEM

The Company is the Ultimate Parent of a Holding Company System, commonly referred to EMC Insurance Group or EMC Insurance Companies, as defined by Chapter 521A, Code of Iowa. 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:



¹ 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 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.

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 36 denied claims, 51 claims without payment, and 50 paid claims from Employers Mutual Casualty 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