

MARKET CONDUCT
EXAMINATION REPORT OF
EMC NATIONAL LIFE COMPANY
DES MOINES, IOWA
AS OF DECEMBER 31, 2018

Des Moines, Iowa
May 31, 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 NATIONAL LIFE COMPANY

DES MOINES, IOWA

AS OF DECEMBER 31, 2018

at its home office, 699 Walnut Ste 1100, 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 non-compliant 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 National Life, herein referred to as the Company, covers the period from January 1, 2014 through December 31, 2018. 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. All samples reviewed were comprised of policies sold in Iowa.

HISTORY

The Company was incorporated as a legal reserve, stock life insurance company with perpetual existence on August 1, 1962 under the name of Employers Life Company. The name Employers Modern Life Company was adopted by amendment to the Articles of Incorporation on January 3, 1964.

Employers Mutual Casualty Company purchased all 250,000 outstanding common shares, effective December 31, 1991, from EMC Insurance Group for \$15,500,000 and became the Company's sole shareholder.

On March 10, 1998, at the annual meeting of the stockholders, the stockholders agreed to sell 25 percent of the shares of stock of the Company to Hamilton Mutual Insurance Company of Cincinnati, Ohio.

On March 12, 2003, the Boards of Directors of National Travelers Life Mutual Holding Company (NTLMHC), National Travelers Life Company (NTL), Employers Modern Life Company (EML), Employers Mutual Casualty Company (EMCC), and Hamilton Mutual Insurance Company (HMIC), unanimously approved an Agreement and Plan of Merger. The merger combined NTL with EML with the surviving entity called EMC National Life Company. NTLMHC remains a mutual holding company and continues to operate independently but was renamed EMC National Life Mutual Holding Company (MHC). In the merger, NTLMHC's wholly owned subsidiary, National Travelers Company (an Iowa Stock Company) changed names to EMC National Company. As a result of the merger, EMC National Company has 51% of the voting control of EMC National Life Company, EMCC has 36.75% and HMIC has 12.25%. The merger was effective July 1, 2003.

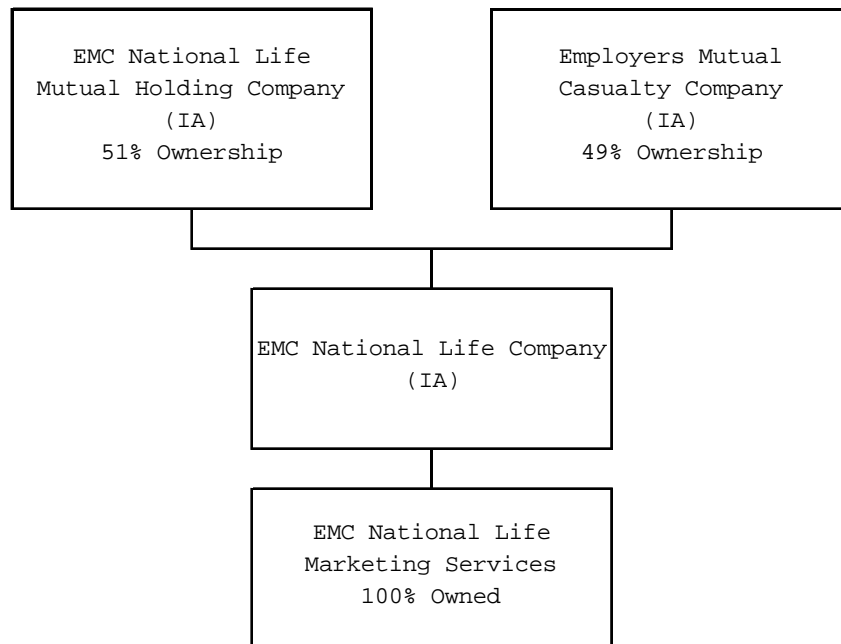
During 2008, EMCC acquired HMIC's 12.25% interest in the class A common stock and its 25% interest in the class B common stock of EMC National Life Company.

On May 14, 2009, the Board of Directors approved the dissolution of EMC National Company. As a result of the dissolution, MHC has 51% of the voting control of EMC National Life Company and EMCC has 49%.

INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of a Holding Company System as defined by Chapter 521A, Code of Iowa. MHC is the ultimate controlling person 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 abbreviated organizational chart identifying the Companies within the Holding Company System follows:



TERRITORY AND PLAN OF OPERATION

The Company is authorized to transact business in the District of Columbia and all states except for New Jersey and New York.

The Company sells individual life, individual annuity, workplace life, and group term life insurance products through independent agents.

The five states with the largest amounts of direct premium writings in 2018 were:

State	Direct Written Premium	Percent of Total Premium
Iowa	\$ 17,827,826	25.76%
Missouri	5,062,765	7.31%
Minnesota	4,148,148	5.99%
Nebraska	3,893,357	5.62%
<u>Illinois</u>	<u>3,682,687</u>	<u>5.32%</u>
Total Premium	\$ 69,216,825	100.00%

PRODUCER LICENSING AND APPOINTMENTS

The Examiners reviewed the Company's onboarding, appointment, termination and license monitoring procedures. Examiners reviewed a sample of terminated producers to ensure accuracy of the Company's appointments. No exceptions were noted. The Company's policies and procedures were in compliance with state statutes and regulations.

MARKETING AND SALES

The Examiners reviewed the Company's advertising policies and procedures. The Examiners reviewed a sample of twelve advertisements to ensure the controls in place were effective. Subsequent to the examination period, the Company has an action plan in place to correct issues identified by examiners. The policies and procedures were found to be in compliance with state statutes and regulations.

Annuity Suitability

The Examiners reviewed the Company's suitability policies, procedures, supporting documentation, and conducted interviews of the Company's management personnel knowledgeable of the Company's suitability review and system of supervision process, practices and procedures. Examiners completed sampling of Company documentation and reporting to ensure the controls and procedures in place were effective.

TREATMENT OF POLICYHOLDERS

Claim Practices

The Examiners reviewed the Company's claim handling policies and procedures. It appeared all procedures were in compliance with applicable statutes and regulations.

The Examiners reviewed a sample of claims to verify timeliness of settlement, accuracy of payments, and adherence to claim policies and procedures. Subsequent to the end of the examination period, the Company implemented a change in the system programming that is anticipated to correct the issues identified by examiners. For the claims that took the Company longer than 31 days to process, examiners verified interest was paid according to Iowa statutes.

The Examiners reviewed the Company's denied claim handling policies and procedures. Examiners reviewed all claims from Iowa consumers that were denied or the policies were rescinded after a claim was filed. No exceptions were noted and it appeared the Company's policies and procedures were found to be in compliance with state statutes and regulations.

Complaints

The Examiners reviewed the Company's complaint register and complaint handling process. The Company's complaint handling procedures are not formally documented, but are routed to one individual at the Company for review. To ensure the Company is appropriately logging complaints, the Examiners reconciled the Iowa Insurance Division's complaint list to the Company's complaint register without exception. The Examiners reviewed a sample of complaints received by the Company during the Examination Period to determine if the Company provided complete responses and took appropriate actions to address the complaint matters. The complaint register and samples were determined to be in compliance with Iowa Code statutes and regulations.

Underwriting Practices

The Examiners reviewed the Company's underwriting policies and procedures, including use of third party data and quality assurance reports. It appeared all procedures and practices were in compliance with applicable statutes and regulations.

CONCLUSION

The cooperation and assistance extended by the officers and employees of the Company during the course of this examination is hereby acknowledged.

In addition to the undersigned, the following Iowa Insurance Division examiners participated in the examination and preparation of this report Jeff Payne, CFE, Bob Wong, CFE, CISA, Bouavan Kha, Randy Guzman, Jan Jones, and Jean Yohnke.

Respectfully submitted,

_/s/ Lindsay Bates
Lindsay Bates, CFE, MCM
Market Specialist
Iowa Insurance Division