



TAKING ACTION

2016 In Review

count on
EMC
INSURANCE®



*It takes dedication. It takes innovation.
It takes vision. It takes every part of
EMC taking action to deliver the best
value and service to our customers and
stakeholders. As a result, we're making
profitability, teamwork and community
impact happen.*

EMC Executive Management Team (From left):
Scott Jean, *Executive Vice President for Finance and Analytics*;
Kevin Hovick, *Executive Vice President and Chief Operating
Officer*; Bruce Kelley, *President, Chief Executive Officer and
Treasurer*; Jason Bogart, *Senior Vice President of Branch
Operations*; Mick Lovell, *Executive Vice President for
Corporate Development*

TO OUR CUSTOMERS

Once again, we surpassed our financial goals and broke new records in 2016:

**Record net
written premium**

**\$1.708
Billion**

**Record
surplus**

**\$1.633
Billion**

**Combined
ratio**

97.9

Best since 2006

We saw profitable results this year thanks to the independent insurance agents who chose to place their business with us. We also owe our success to our outstanding EMC team members and all of our policyholders who place their trust in our company.

We achieved these results by taking action to:

- Maintain strong relationships with our agents
- Develop new products and services using innovative solutions to set our agents apart
- Invest in the power of big data to understand our business and improve profitability
- Provide our team members with new technology, tools and training so they can deliver exceptional customer service

Our goal is to offer a rich, consistent experience to every customer—agents, policyholders and team members. And we know this doesn't just happen. It takes action, dedication, innovation and a vision to be the best.



Bruce G. Kelley, J.D., CPCU, CLU

President, Chief Executive Officer and Treasurer



It takes dedication.

We only work through the independent agency system because we believe independent agents bring real value and knowledge to the insurance process and can best represent their clients' interests. We rely on our agents to represent us, and our products and services, to their clients.

Our unique branch office structure, with 20 locations throughout the country, is ideal for cultivating close relationships with our agents.

Each year, through an independent consultant, we conduct a customer satisfaction survey of our agents to identify areas where we need to improve most. We listen to our agents and then put what we learn into action to improve our products, services and processes. Our focus on continuous improvement is aimed at making EMC the best company for our agents' business.

We rely on the dedication of our team members, and they deliver. Our outstanding customer service score for our claims service in 2016 was 4.6 on a five-point scale, which is a 92 percent satisfaction rate.



It takes innovation.

We're focused on finding innovative solutions and creating products and services that can set our agents apart. That's what makes EMC different—our approach to innovation gives our agents more to sell, helps our policyholders and moves the industry into the future.

Our Strategic Analytics Department has been actively engaged in the development of claims triage modeling, enhanced dashboards and data reporting. In addition, we created our very own innovation lab led by team members who are empowered to collaborate, make quick decisions and take action. They have been working closely with an insurance agency and several vendors to explore the use of telematics for fleets.

EMC is serious about using data to find innovative solutions and is willing to invest in companies that can add value for our policyholders and agents. This past year, EMC joined the Global Insurance Accelerator, a business accelerator focused on developing and growing innovative insurance-centric startups. As an investor, EMC is helping to fund the insurance technology startups accepted into the program.



It takes vision.

Our underwriting, claims, loss control and marketing professionals in our branch offices work together to deliver the best in customer service to our agents and policyholders. And our team members in the Corporate Office back them up to help provide the positive experiences our customers deserve.

EMC has been an innovator of loss control services for over 90 years. We've advocated for our policyholders, finding ways to help improve their safety and control their losses since 1926. It may have started with simple safety signs, but now we're taking action in the high-tech world of loss control, advancing into applications, simulators, sensors, drones and more.

Our knowledgeable team members help give EMC a competitive advantage over other companies. We believe in our team members and encourage their development through education and training programs.

We have a vision to be the best and are always looking for ways to help our agents be successful. Because when they are successful, we are too.

2016 FINANCIALS

EMC had another successful year in 2016, with a 97.9 percent combined ratio and record premium and surplus levels. Despite the softening insurance market, we achieved rate increases on many accounts and finished the year with the overall rate level up 0.4 percent over the previous year. We believe our solid book of business, adequate rate levels, strong balance sheet and advanced analytics position us for continued profitability.

COMBINED RATIO

EMC's consolidated combined ratio for the 2016 calendar year was 97.9, down from 98.1 last year. Catastrophe and storm losses contributed 9.2 points to the combined ratio in 2016, below the 10.2 point average for the previous 10 years.

PREMIUM GROWTH

Consolidated net written premiums grew to a record \$1.708 billion, an increase of \$61.9 million, or 3.8 percent, compared to 2015. For all lines combined, new business premiums and policy counts were up from last year. Renewal retention based on in-force policy count remained strong at 87.0 percent for commercial lines and 84.6 percent for personal lines.

INVESTMENTS

2016 was a productive year for the investment portfolio with net investment income of \$99 million and net realized gains of \$24.1 million.

OPERATING RESULTS

EMC saw an overall gain from operations income. Net income increased \$11.3 million, from \$110.9 to \$122.2 million.

FINANCIAL STATEMENT

Underwriting Operations	2016	2015
Net Written Premiums	\$1,707,990,395	\$1,646,080,754
Net Earned Premiums	\$1,687,204,644	\$1,620,443,074
Losses Incurred	\$951,285,042	\$865,949,565
Ratio To Earned Premiums	56.4%	53.4%
Loss Adjustment Expenses	\$150,064,546	\$195,130,914
Ratio To Earned Premiums	8.9%	12.0%
Other Underwriting Expenses	\$524,355,997	\$507,013,335
Ratio To Written Premiums	30.7%	30.8%
Net Underwriting Gain	\$61,499,059	\$52,349,260
Policyholder Dividends	\$31,512,691	\$30,453,940
Ratio To Earned Premiums	1.9%	1.9%
Combined Loss & Expense Ratio	97.9%	98.1%
Net Investment Gains	2016	2015
Net Investment Income Earned	\$98,953,027	\$102,201,576
Net Realized Capital Gains*	\$24,105,581	\$13,769,419
Financial Results	2016	2015
Net Income	\$122,189,458	\$110,858,203
Net Admitted Assets	\$4,392,197,854	\$4,173,650,357
Liabilities	\$2,758,931,663	\$2,668,411,209
Surplus	\$1,633,266,191	\$1,505,239,148

*Net of capital gains tax

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OUR COMPANY

EMC Insurance Companies is a financially strong insurance company that has been in business for 106 years. In June 2016, A.M. Best reaffirmed the financial strength rating of A (Excellent) and the issuer credit ratings of “a” of EMC Insurance Companies (this includes Employers Mutual Casualty Company and its six property/casualty subsidiaries). For the latest rating, access www.ambest.com.

We distribute products solely through the independent insurance agency system and believe our partnership with those agents brings a superior level of personal service to our customers. Our agents and policyholders know they can *Count on EMC*®.

EMC LOCATIONS



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