

**DEPARTMENT OF INSURANCE, FINANCIAL  
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

**ORDER**

After full consideration and review of the report of the financial examination of Shelter General Insurance Company for the period ended December 31, 2016, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, corporate records, management and control, territory and plan of operation, reinsurance, accounts and records, financial statements, comments on financial statement items, examination changes and general comments and/or recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Shelter General Insurance Company as of December 31, 2016 be and is hereby ADOPTED as filed and for Shelter General Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 07<sup>th</sup> day of June, 2018.

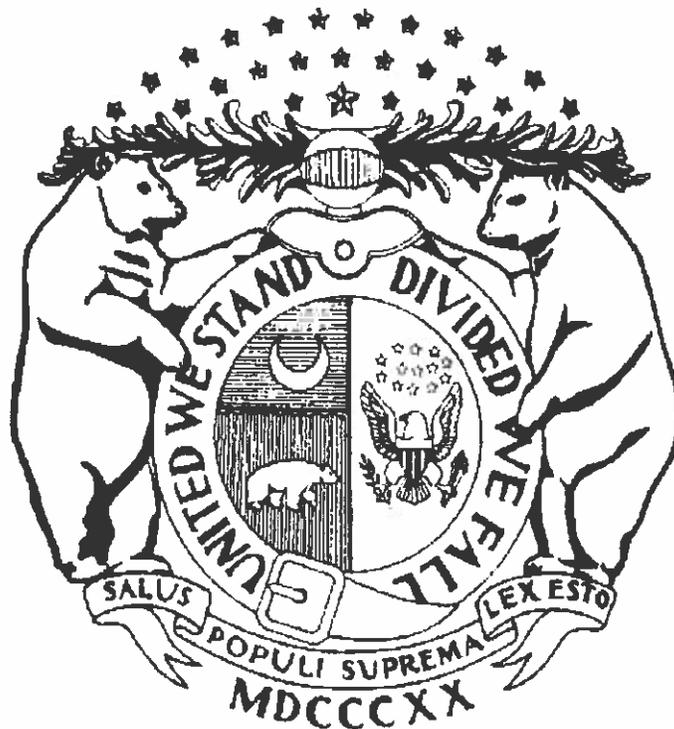


*Chlora Lindley-Myers*  
Chlora Lindley-Myers, Director  
Department of Insurance, Financial Institutions  
and Professional Registration

**REPORT OF THE  
FINANCIAL EXAMINATION OF  
SHELTER GENERAL INSURANCE COMPANY**

**AS OF  
DECEMBER 31, 2016**

**FILED**  
JUN 18 2018  
DIRECTOR OF INSURANCE,  
FINANCIAL INSTITUTIONS &  
PROFESSIONAL REGISTRATION



**STATE OF MISSOURI  
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS  
AND PROFESSIONAL REGISTRATION  
JEFFERSON CITY, MISSOURI**

## TABLE OF CONTENTS

<b>SCOPE OF EXAMINATION</b> .....	<b>1</b>
PERIOD COVERED .....	1
PROCEDURES.....	1
<b>SUMMARY OF SIGNIFICANT FINDINGS</b> .....	<b>2</b>
<b>SUBSEQUENT EVENTS</b> .....	<b>2</b>
<b>COMPANY HISTORY</b> .....	<b>3</b>
GENERAL .....	3
DIVIDENDS AND CAPITAL CONTRIBUTIONS .....	3
MERGERS AND ACQUISITIONS .....	3
<b>CORPORATE RECORDS</b> .....	<b>3</b>
<b>MANAGEMENT AND CONTROL</b> .....	<b>4</b>
CORPORATE GOVERNANCE .....	4
COMMITTEES .....	4
OFFICERS .....	5
HOLDING COMPANY, SUBSIDIARIES AND AFFILIATES .....	6
ORGANIZATIONAL CHART .....	7
INTERCOMPANY AGREEMENTS.....	8
INTERCOMPANY PAYMENTS .....	9
<b>TERRITORY AND PLAN OF OPERATION</b> .....	<b>10</b>
<b>REINSURANCE</b> .....	<b>11</b>
GENERAL .....	11
ASSUMED .....	11
CEDED.....	11

<b>ACCOUNTS AND RECORDS .....</b>	<b>12</b>
INDEPENDENT ACCOUNTANTS.....	12
ACTUARIAL OPINION .....	13
CONSULTING ACTUARY .....	13
INFORMATION SYSTEMS .....	13
<b>FINANCIAL STATEMENTS.....</b>	<b>13</b>
ASSETS.....	14
LIABILITIES, SURPLUS AND OTHER FUNDS.....	15
STATEMENT OF INCOME .....	16
RECONCILIATION OF SURPLUS .....	17
<b>COMMENTS ON FINANCIAL STATEMENT ITEMS .....</b>	<b>18</b>
<b>EXAMINATION CHANGES .....</b>	<b>18</b>
<b>GENERAL COMMENTS AND/OR RECOMMENDATIONS.....</b>	<b>18</b>
<b>ACKNOWLEDGMENT.....</b>	<b>19</b>
<b>VERIFICATION.....</b>	<b>19</b>
<b>SUPERVISION .....</b>	<b>20</b>

Columbia, Missouri  
March 30, 2018

Honorable Chlora Lindley-Myers, Director  
Missouri Department of Insurance, Financial Institutions  
and Professional Registration  
301 West High Street, Room 530  
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your financial examination warrant, a full scope financial examination has been made of the records, affairs and financial condition of

**Shelter General Insurance Company**

hereinafter referred to as Shelter General, SGIC, or as the Company. Its administrative office is located at 1817 West Broadway, Columbia, Missouri, 65218, telephone number (573) 445-8441. This examination began on August 7, 2017 and concluded on the above date.

**SCOPE OF EXAMINATION**

**Period Covered**

We have performed a multi-state examination of Shelter General. The last examination was completed as of December 31, 2012. This examination covers the period of January 1, 2013, through December 31, 2016. This examination also included the material transactions or events occurring subsequent to December 31, 2016.

**Procedures**

This examination was conducted using guidelines set forth in the Financial Condition Examiners Handbook (Handbook) of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (Department or DIFP) or statutes of the state of Missouri prevailed. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

The examination was conducted concurrently with the examinations of the Company's Missouri domiciled affiliates, Shelter Mutual Insurance Company (Shelter Mutual or SMIC), Shelter Life Insurance Company (Shelter Life or SLIC), Shelter Reinsurance Company (Shelter Re or SRC), and AmShield Insurance Company (AmShield).

The examinations of Shelter General and its Missouri affiliates were coordinated with the concurrent examination of a Tennessee domiciled affiliate, Haulers Insurance Company (Haulers), that was conducted by the Tennessee Department of Commerce and Insurance. The Missouri DIFP was the lead state in the coordinated examinations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This includes assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment is documented separately following the Company's financial statements. The following key activities were identified during the examination: Investments, Premiums, Underwriting, Claims Handling, Reserving, and Reinsurance.

This examination report includes significant findings of fact and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

### **SUBSEQUENT EVENTS**

There were no significant subsequent events noted from December 31, 2016 through the date of this report.

## COMPANY HISTORY

### General

Shelter General was incorporated and commenced business on November 12, 1957. The Company was originally named Countryside Casualty Company. The Company's name was changed to Shelter General Insurance Company on July 1, 1981. The Company operates as a stock property and casualty insurer under the insurance laws of Chapter 379 RSMo (Insurance Other Than Life).

### Dividends and Capital Contributions

The Company paid dividends to its sole shareholder, Shelter Mutual, during the examination period, which are listed in the Intercompany Payments section of this report. No capital contributions were received from Shelter Mutual during the examination period.

### Mergers and Acquisitions

There were no mergers or acquisitions involving the Company during the examination period.

## CORPORATE RECORDS

The Company's Articles of Incorporation and Bylaws were reviewed. There were no amendments or changes to the Articles of Incorporation or Bylaws during the examination period.

The minutes of the Board of Directors' and shareholders' meetings were reviewed for proper approval of corporate transactions. In general, the minutes and written consents appear to properly reflect and approve the Company's major transactions and events for the period under examination.

**MANAGEMENT AND CONTROL**

**Corporate Governance**

The management of the Company is vested in a Board of Directors, which is appointed by the policyholders. The Company’s Bylaws specify that the Board of Directors shall consist of nine (9) members. The Board of Directors appointed and serving, as of December 31, 2016, were as follows:

<u>Name</u>	<u>Principal Occupation and Business Affiliation</u>
Don A. McCubbin <sup>1</sup> (Chair)	Retired, former Executive Vice President, SMIC
Ricky L. Means <sup>1</sup> (Vice Chair)	President and CEO, SMIC
Deborah L. Douglas	President, Douglas Group
Stephen E. Erdel	Chairman and CEO, Central Bank of Boone County
Andrés Jiménez	Retired, former Chairman and CEO, Mapfre Re
H. Baker Kurrus	Former Superintendent, Little Rock School District
David R. Monday	Retired, former Partner, PricewaterhouseCoopers
J. David Moore	Retired, former President and CEO, SMIC
Madison “Matt” M. Moore	Executive Vice President, SMIC

<sup>1</sup> Mr. McCubbin will retire and Mr. Means was elected Chairman, effective July 1, 2018.  
Randa C. Rawlins was elected to replace Mr. McCubbin as a director, effective July 1, 2018.

**Committees**

The Bylaws require an Audit Committee and an Executive and Compensation Committee to be maintained by the Board of Directors. The Bylaws allow for additional committees to be maintained, as deemed necessary. An Investment Committee of the Board of Directors has historically been maintained in addition to the mandatory committees. The committee members appointed and serving, as of December 31, 2016, were as follows:

<u>Audit Committee</u>	<u>Corporate Governance Committee</u>
Deborah L. Douglas (Chair)	Ricky L. Means (Chair)
H. Baker Kurrus	H. Baker Kurrus
David R. Monday	Randa C. Rawlins
	Don A. McCubbin

Investment Committee  
 Ricky L. Means (Chair)  
 S. Daniel Clapp  
 Deborah L. Douglas  
 Stephen E. Erdel  
 Don A. McCubbin  
 J. David Moore  
 Madison “Matt” M. Moore

Executive and Compensation Committee  
 Don A. McCubbin (Chair)  
 Andrés Jiménez  
 Stephen E. Erdel  
 Ricky L. Means  
 David R. Monday

**Officers**

The officers elected by the Board of Directors and serving as of December 31, 2016, were as follows:

<u>Officer</u>	<u>Position</u>
Ricky L. Means <sup>2</sup>	President and Chief Executive Officer
S. Daniel Clapp	Executive Vice President
Teresa K. Magruder	Executive Vice President and Treasurer
Madison M. Moore <sup>3</sup>	Executive Vice President
Rockne P. Corbin	Senior Vice President
Randa C. Rawlins <sup>4</sup>	Senior Vice President, Secretary and General Counsel
Paul J. LaRose	Assistant Secretary
David N. Abbott	Vice President of Investments
Terry L. Dykes	Vice President of Claims
H. Lloyd Montgomery, Jr.	Vice President of Alternate Channels
John T. Rooney	Vice President of Information Services
Frank L. Thompson IV	Vice President of Marketing
Todd J. Weyler	Vice President of Underwriting
Christina M. Workman	Vice President of Accounting, Assistant Treasurer

<sup>2</sup> Mr. Means’ title is Chief Executive Officer only, effective January 1, 2018.

<sup>3</sup> Mr. Moore was elected President and Chief Operating Officer, effective January 1, 2018.

<sup>4</sup> Ms. Rawlins was elected Executive Vice President, effective January 1, 2018.

**Holding Company, Subsidiaries and Affiliates**

The Company is a member of an Insurance Holding Company System as defined by Section 382.010, RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed on behalf of the Company by the parent, Shelter Mutual, for each year of the examination period.

Shelter Mutual is the ultimate controlling entity in a holding company system that includes six insurance companies and five non-insurance entities. Below is a brief synopsis of the business operations of Shelter General's affiliates:

**Shelter Mutual Insurance Company** – A large property and casualty insurer with \$3.1 billion of admitted assets, as of year-end 2016, and direct written premiums of \$1.5 billion in 2016. Shelter Mutual writes personal lines of business that is concentrated mostly in private passenger auto and homeowners policies.

**Shelter Reinsurance Company** – A property reinsurer that assumes business from nearly 300 insurers in the United States, United Kingdom, Europe, the Caribbean, and other areas around the world. Most of Shelter Re's business is property catastrophe coverage that adds diversification from Shelter Mutual's heavy concentration in the Midwestern United States.

**Shelter Life Insurance Company** – A life insurer that primarily writes whole life, term life and universal life products. Shelter Life's business plan leverages the policyholders of Shelter Mutual to market life insurance policies in addition to existing auto and homeowners insurance policies.

**AmShield Insurance Company** – A property and casualty insurer that was incorporated in May 2014 and commenced business in October 2017. AmShield's business plan is to write personal auto and homeowners business through independent agents in territories in the western states that are distinct from Shelter Mutual and Shelter General's operating territory.

**Haulers Insurance Company** – A property and casualty insurer that was acquired by Shelter Mutual in 2008. Haulers writes personal and commercial auto business in eight states in the Midwest and Southeast regions of the United States.

**Shelter Investments, LLC (Shelter Investments)** – An entity used to hold limited partnership investments of Shelter Mutual.

**Shelter Financial Services, Inc. (SFS)** – A holding company for Shelter Benefits Management, Inc. with no business operations.

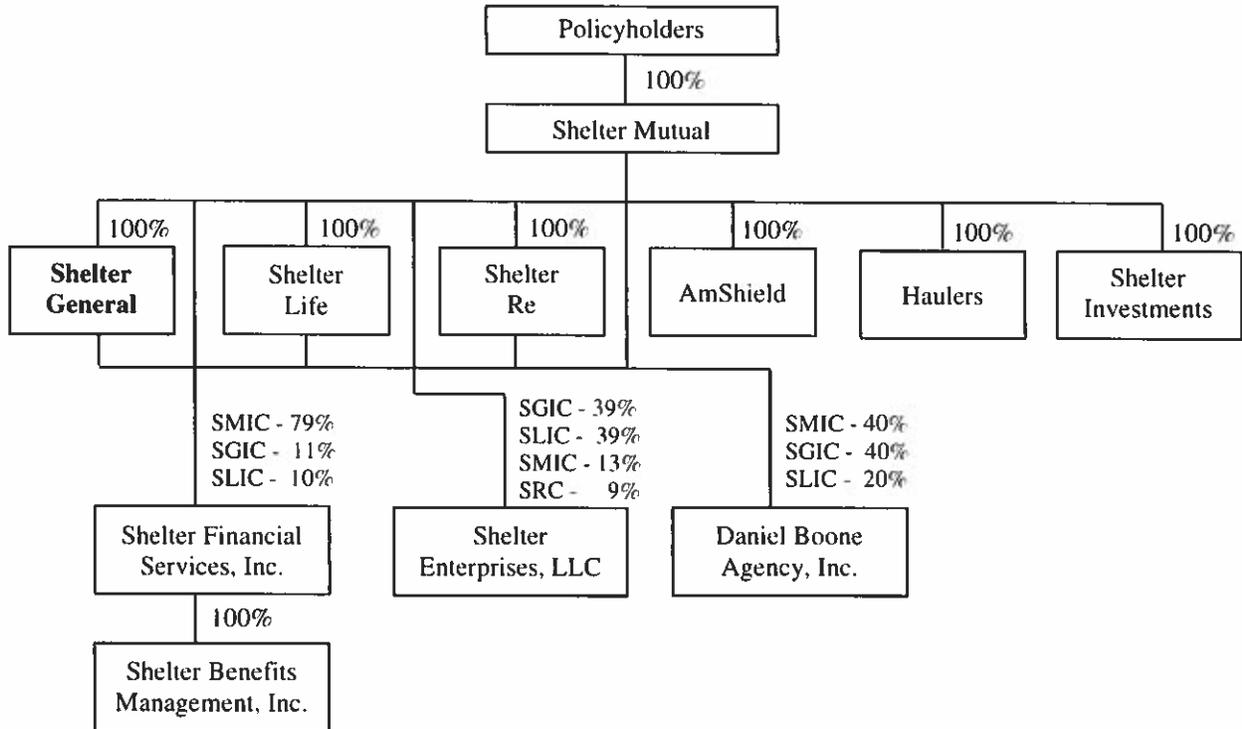
**Shelter Benefits Management, Inc. (SBMI)** – Manages various agent and employee services for Shelter Mutual employees. Services provided include human resource functions, payroll services, and benefits administration for the employees, agents, and retirees of Shelter Mutual.

**Shelter Enterprises, LLC (Shelter Enterprises)** – Owns real estate, property and equipment and derives its income from leasing the assets to affiliates, including Shelter Mutual, and other non-affiliated entities.

**Daniel Boone Agency, Inc. (DBA)** – An insurance broker that places risks from leads generated by agents of the Shelter Mutual. The risks placed by DBA do not meet the underwriting standards for personal lines policies or are in lines of business that are not written by Shelter Mutual or its insurance subsidiaries.

**Organizational Chart**

Below is the organizational chart of Shelter General and its affiliates, as of December 31, 2016.



**Intercompany Agreements**

The Company's agreements with related parties that were in effect, as of December 31, 2016, and subsequent periods are outlined below.

- 1. Type:** Agreement for Management Services and Facilities

**Affiliate:** Shelter Mutual

**Effective:** December 12, 2005

**Terms:** Shelter Mutual will provide the employees to operate all aspects of the Company. Services to be provided include recordkeeping, processing, planning, budgeting, receipt and disbursement activities, and all work incidental to the operation of the Shelter General's business. Shelter Mutual also provides office space, utilities, computer systems, office equipment, and supplies. In exchange for the services and facilities provided by Shelter Mutual, the Company will make monthly payments to Shelter Mutual. Payments will be calculated in accordance with the Joint Expense Allocation Agreement between Shelter Mutual and its subsidiaries, including Shelter General.
  
- 2. Type:** Joint Expense Allocation Agreement

**Affiliates:** Shelter Mutual, Shelter Re, Shelter Life, AmShield, SFS, SBMI, DBA, Shelter Enterprises, Shelter Investments

**Effective:** December 1, 2004 (revised and restated version) for all parties except AmShield and Shelter Investments; April 26, 2013 for Shelter Investments; September 30, 2014 for AmShield.

**Terms:** Each party pays its direct expenses in instances when each entity's actual usage can be determined. Any joint expenses will be allocated for instances in which the identification and segregation of each entity's actual share is not practically feasible. The allocation methodologies for each category of joint expenses are as follows:

  - (1) Personnel – estimated or actual time
  - (2) Real Estate – square footage and employee count
  - (3) Investment – portfolio value
  - (4) Claims Adjustment (applicable to Shelter Mutual and Shelter General only) – incurred losses
  - (5) Reinsurance (applicable to Shelter Mutual and Shelter General only) – actual premiums and claims of each entity
  - (6) Other Expenses – assets, employee count, or written premium

- 3. Type:** Tax Allocation Agreement
- Affiliates:** Shelter Mutual, Shelter Re, Shelter Life, AmShield, Haulers, SFS, SBMI
- Effective:** No stated effective date, but signed May 19, 1999 by all parties except Haulers and AmShield. Haulers added by amendment effective June 30, 2008; AmShield added by amendment effective September 30, 2014.
- Terms:** Shelter Mutual will file a consolidated federal income tax return on behalf of itself and its subsidiaries for the 1999 tax year and all subsequent tax years. The tax liability for each company will be the amount that would have been determined on a separate filing basis. The subsidiaries will pay their share of tax payments to Shelter Mutual within 10 days following any tax payments made by Shelter Mutual. Shelter Mutual will refund any amount due to the subsidiaries within 10 days after filing the consolidated return.
- 4. Type:** Revolving Line of Credit
- Affiliates:** Shelter Mutual, Shelter Life, Shelter Re, AmShield, Haulers, SFS, SBMI, Shelter Enterprises
- Effective:** May 19, 2017
- Terms:** Shelter Mutual extends credit to allow each entity to borrow up to the following amounts: Shelter General - \$5,000,000, Shelter Life - \$30,000,000, Shelter Re - \$20,000,000, AmShield - \$3,000,000, Haulers - \$2,000,000, SBMI - \$7,500,000, SFS - \$2,500,000, Shelter Enterprises - \$1,000,000. Each borrower will pay monthly interest on any outstanding principal balance at a rate equal to the U.S. Federal Funds Effective Rate, as published by Bloomberg Finance, LP. The interest rate will be adjusted daily to correspond to any changes in the referenced interest rate. The principal amounts are to be paid upon demand.

The Company also has joint reinsurance agreements with Shelter Mutual that are described in the Reinsurance Ceded section of the report.

**Intercompany Payments**

The following table summarizes the payments made during the examination period, between Shelter General and its affiliates, pursuant to intercompany agreements and other transactions.

Affiliate	Agreement / Transaction	Net Expense / (Revenue)			
		2013	2014	2015	2016
SMIC	Joint Expense Allocation	\$16,596,272	\$5,390,302	\$6,216,229	\$6,035,299
SBMI	Management Services	0	0	0	248,793
SMIC	Tax Allocation	262,893	(4,943,921)	(798,124)	(1,422,242)
SMIC	Dividends	8,200,000	7,900,000	0	0
DBA	Dividends	(1,080,000)	(1,080,000)	(1,200,000)	(1,360,000)
<b>TOTAL</b>		<b>\$23,979,165</b>	<b>\$7,266,381</b>	<b>\$4,218,105</b>	<b>\$3,501,850</b>

In addition, the Company sold bonds to Shelter Mutual in 2014 for a total sales price of \$16,799,343.

### TERRITORY AND PLAN OF OPERATION

Shelter General is licensed as a property and casualty insurer by the Missouri DIFP under Chapter 379 RSMo (Insurance Other than Life). The Company is licensed and writes business in thirteen (13) states. The states with the largest written premiums are as follows:

<u>State</u>	<u>2016 Direct Written Premiums</u>	<u>Percent of Total</u>
Missouri	\$7,916,301	20.2%
Mississippi	6,023,169	15.4%
Oklahoma	5,821,100	14.8%
Arkansas	4,487,254	11.4%
Louisiana	3,120,849	8.0%
All Other	<u>11,859,736</u>	<u>30.2%</u>
Total	<u>\$39,228,409</u>	<u>100.0%</u>

Shelter General had a significant change in its business model since the prior exam. In 2012, personal auto business in Tennessee and Illinois comprised 40.2% and 20.5%, respectively, of the Company's direct written premiums in 2012. Management made a decision in late 2012 to move Shelter General's personal auto policies to Shelter Mutual upon renewal. This migration of policies was completed in 2014 and as a result, the Company's direct written premium decreased from \$99 million in 2012 to \$35 million in 2014. Shelter General currently sells mostly commercial auto policies. The significant lines of business in 2016 are shown below.

<u>Line of Business</u>	<u>2016 Net Written Premiums</u>	<u>Percent of Total</u>
Commercial Auto Liability	\$17,341,272	44.6%
Auto Physical Damage	10,152,745	26.1%
Fire	6,256,553	16.1%
Allied Lines	5,027,183	12.9%
All Other	<u>139,420</u>	<u>0.4%</u>
Total	<u>\$38,917,173</u>	<u>100.0%</u>

Shelter General implemented a new product in 2016 to sell personal auto business outside of the traditional captive agency force. This business operates under the brand name "Say Insurance" and is sold directly over the internet or telephone. The Say Insurance product was in the start-up phase at year-end 2016, with only 181 policies in-force in Illinois. Say Insurance has also entered Missouri, Tennessee and Colorado in 2017. The 2018 projections for Say Insurance are 13,000 active policyholders by year-end and \$12 million in direct written premiums.

The Company’s business is produced mostly by a captive agency system that was comprised of 1,319 agents, as of the examination date.

**REINSURANCE**

**General**

The Company’s premium activity on a direct written, assumed and ceded basis, for the period under examination, is detailed below:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Direct Business	\$88,576,000	\$34,977,488	\$36,054,854	\$39,228,409
Assumed:				
Affiliates	0	0	0	0
Non-affiliates	21,982	22,968	8,213	4,652
Ceded:				
Affiliates	0	0	0	0
Non-affiliates	<u>(638,035)</u>	<u>(327,948)</u>	<u>(305,004)</u>	<u>(315,888)</u>
Net Premiums Written	<u>\$87,959,947</u>	<u>\$34,672,508</u>	<u>\$35,758,063</u>	<u>\$38,917,173</u>

**Assumed**

Shelter General’s only assumed premiums are immaterial amounts from involuntary pools and associations.

**Ceded**

Shelter General retains nearly all of the risks from commercial auto policies that are written on a direct basis. The Company’s reinsurance program is designed to protect the Company against losses from very large risks and catastrophes. The Company’s affiliates, Shelter Mutual, AmShield and Haulers, are also named insureds in the Company’s ceded reinsurance agreements. Shelter General is allocated reinsurance premiums and loss recoveries from reinsurance agreements, in accordance with the terms of the Joint Expense Allocation Agreement that is described in the Intercompany Agreements section of this report.

Shelter General has agreements with General Reinsurance Corporation (Gen Re) to reinsure property risks on an excess of loss basis. The Company’s retention is \$1,500,000 per risk and losses up to \$3,500,000 in excess of the retention are ceded to Gen Re under the terms of both the 2016 and 2017 agreements. The Company also has property facultative reinsurance agreements with Gen Re in 2016 and 2017 that cover losses from accepted risks up to a maximum of \$10,000,000, in excess of a \$5,000,000 retention per risk.

Reinsurance coverage for casualty and personal umbrella risks was also provided through agreements with Gen Re in 2016 and 2017. The terms of the agreements for both years cover losses up to \$8,500,000 in excess of a Shelter General retention of \$1,500,000 per risk.

Shelter General has a six layer property catastrophe program for 2016 with several participating reinsurers. The first five layers are included in a property catastrophe excess of loss agreement with 33 reinsurers. The four reinsurers with the largest participation in the first five layers for 2016 were Everest Reinsurance Company, Hiscox Insurance Company Limited, MS Frontier Reinsurance Limited, and R+V Versicherung AG. The sixth layer for 2016 is included in a catastrophe excess of loss agreement with the Mutual Reinsurance Bureau (MRB), which is an association of five U.S. insurers with equal participation percentages (20% each). The reinsurance coverages for the combined subject net losses of Shelter Mutual and subsidiaries for each layer are as follows:

<u>Layer</u>	<u>2016 Subject Net Losses</u>	<u>Reinsurer Participation %</u>
First	\$20,000,000 excess of \$100,000,000	100%
Second	\$30,000,000 excess of \$120,000,000	100%
Third	\$50,000,000 excess of \$150,000,000	100%
Fourth	\$50,000,000 excess of \$200,000,000	100%
Fifth	\$135,000,000 excess of \$250,000,000	100%
Sixth	\$50,000,000 excess of \$385,000,000	100%

New agreements for catastrophe coverage are executed each year. There was little change in the reinsurance coverages or the mix of reinsurers used in 2017 in comparison to 2016. The four largest participating reinsurers for the first five layers in 2017 were the same as those listed above for the 2016, except for R+V Versicherung AG, which did not participate in the 2017 agreements. Lloyd's Syndicate No. 4444 replaced R+V Versicherung AG as one of the four largest participating reinsurers for 2017. The sixth (MRB) layer for 2017 was comprised of the same five reinsurers that were in the 2016 agreement.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance agreement.

## ACCOUNTS AND RECORDS

### Independent Accountants

The certified public accounting (CPA) firm, BKD, LLP (BKD), in Cincinnati, Ohio, performed the 2016 statutory audit of the Company. BKD's 2016 audit workpapers were reviewed and used in the course of the examination as deemed appropriate. The CPA firm, Ernst & Young, LLP, in Kansas City, Missouri, performed the statutory audits for 2013, 2014 and 2015.

**Actuarial Opinion**

The Company's actuarial opinion regarding loss reserves, loss adjustment expense (LAE) reserves, and other actuarial items was issued by Thomas P. Conway, ACAS, MAAA, for all years in the examination period. Mr. Conway is employed by Ernst & Young, LLP, in Chicago, Illinois.

**Consulting Actuary**

Pursuant to a contract with the Missouri DIFP, Kristine M. Fitzgerald, ACAS, MAAA of Actuarial & Technical Solutions, Inc., reviewed the underlying actuarial assumptions and methodologies used by Shelter General to determine the adequacy of loss reserves and LAE reserves. Ms. Fitzgerald determined that the Company made a reasonable provision for the loss and LAE reserves that were reported in the statutory financial statements, as of December 31, 2016.

**Information Systems**

In conjunction with this examination, Andy Balas, CFE, AES, CPA, Information Systems Financial Examiner with the Missouri DIFP, conducted a review of the Company's information systems.

**FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by Shelter General Insurance Company with the Missouri DIFP and present the financial condition of the Company for the period ending December 31, 2016. The accompanying "Comments on Financial Statement Items" section reflects any examination adjustments to the amounts reported in the 2016 Annual Statement and should be considered an integral part of the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statement Items" section. These differences were determined to be immaterial concerning their effect on the financial statements, and therefore, were only communicated to the Company and noted in the workpapers for each individual Annual Statement item.

**ASSETS**  
as of December 31, 2016

	<u>Assets</u>	Non- Admitted <u>Assets</u>	Net Admitted <u>Assets</u>
Bonds	\$106,690,809	\$ 0	\$106,690,809
Common Stocks	13,842,912	0	13,842,912
Cash and Short-Term Investments	691,478	0	691,478
Other Invested Assets	3,477,291	0	3,477,291
Investment Income Due and Accrued	1,094,710	0	1,094,710
Uncollected Premiums & Agents' Balances	137,728	3,988	133,740
Deferred Premiums	4,919,570	0	4,919,570
Amounts Recoverable from Reinsurers	18	0	18
Federal Income Tax Recoverable	949,655	0	949,655
Guaranty Funds Receivable	2,216	0	2,216
EDP Equipment and Software	5,730,138	5,728,820	1,318
Receivable from Parent, Sub., Affiliates	1,113,801	0	1,113,801
Aggregate Write-In Assets	<u>12,806</u>	<u>0</u>	<u>12,806</u>
<b>TOTAL ASSETS</b>	<b><u>\$138,663,132</u></b>	<b><u>\$5,732,808</u></b>	<b><u>\$132,930,324</u></b>

**LIABILITIES, SURPLUS AND OTHER FUNDS**  
as of December 31, 2016

Losses	\$ 38,882,160
Reinsurance Payable on Paid Losses and LAE	644
Loss Adjustment Expenses	6,218,721
Commissions Payable	824,277
Other Expenses	160,246
Taxes, Licenses and Fees	283,316
Federal Income Taxes Payable	452,519
Unearned Premium	13,066,889
Advance Premium	765,196
Ceded Reinsurance Premiums Payable	18,170
Amounts Withheld	480,857
Remittances and Items Not Allocated	41,574
Payable to Parent, Subsidiaries and Affiliates	1,890,666
Aggregate Write-In Liabilities	<u>2,955,213</u>
<b>TOTAL LIABILITIES</b>	<b>\$ 66,040,448</b>
Common Capital Stock	1,250,000
Unassigned Funds (Surplus)	<u>65,639,872</u>
<b>CAPITAL AND SURPLUS</b>	<b><u>\$ 66,889,872</u></b>
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b><u>\$132,930,320</u></b>

**STATEMENT OF INCOME**  
**For the Year Ended December 31, 2016**

Premium Earned	\$38,019,494
<b>DEDUCTIONS:</b>	
Losses Incurred	27,470,807
Loss Adjustment Expenses Incurred	3,032,622
Other Underwriting Expenses Incurred	14,088,494
Aggregate Write-Ins for Underwriting Deductions	<u>1,142,190</u>
Total Underwriting Deductions	\$45,734,113
Net Underwriting Loss	(\$ 7,714,619)
Net Investment Income Earned	5,097,653
Net Realized Capital Gains	<u>89,194</u>
Net Investment Gain	\$ 5,186,847
Other Income	87,772
Dividends to Policyholders	0
Federal Income Taxes Incurred	<u>1,845,924</u>
<b>NET INCOME</b>	<b><u>(\$ 594,076)</u></b>

**RECONCILIATION OF SURPLUS**  
**Changes from December 31, 2012 to December 31, 2016**  
**(\$000's omitted)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Capital and Surplus, End of Prior Year	\$82,151	\$79,504	\$66,630	\$67,969
Net Income	4,303	(2,790)	3,481	(594)
Change in Net Unrealized Gains (Losses)	2,022	(901)	2,704	677
Change in Net Deferred Income Tax	(775)	(1,285)	(1,487)	1,489
Change in Non-Admitted Assets	2	2	(3,359)	(2,368)
Dividends to Stockholders	(8,200)	(7,900)	0	0
Agg. Write-Ins for Gains (Losses) in Surplus	<u>0</u>	<u>0</u>	<u>0</u>	<u>(283)</u>
Change in Capital and Surplus for the Year	(\$ 2,648)	(\$12,874)	\$ 1,339	(\$ 1,079)
<b>Capital and Surplus, End of Current Year</b>	<b><u>\$79,504</u></b>	<b><u>\$66,630</u></b>	<b><u>\$67,969</u></b>	<b><u>\$66,890</u></b>

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

None.

**EXAMINATION CHANGES**

None.

**GENERAL COMMENTS AND/OR RECOMMENDATIONS**

None.

**ACKNOWLEDGMENT**

The assistance and cooperation extended by the officers and the employees of Shelter General Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Robert Jordan, CFE, Examiner-In-Charge, Scott Reeves, CPA, CFE, Josh Nash, CPA, Rick Stamper, CFE, and Andy Balas, CPA, CFE, examiners for the Missouri DIFP, participated in this examination. Kristine Fitzgerald, ACAS, MAAA, of Actuarial & Technical Solutions, Inc., also participated as a consulting actuary.

**VERIFICATION**

State of Missouri            )  
  )  
County of                    )

I, Tim L. Tunks, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of Shelter General Insurance Company its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

\_\_\_\_\_  
Tim L. Tunks, CPA, CFE  
Examiner-In-Charge  
Missouri DIFP

Sworn to and subscribed before me this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

My commission expires: \_\_\_\_\_  
\_\_\_\_\_  
Notary Public

**SUPERVISION**

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

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Michael Shadowens, CFE  
Audit Manager  
Missouri DIFP

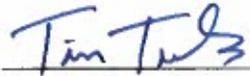
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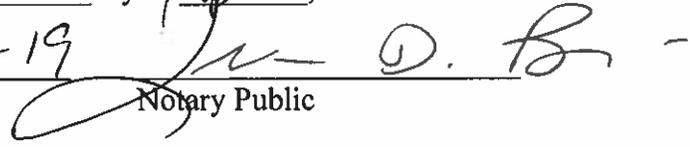
**VERIFICATION**

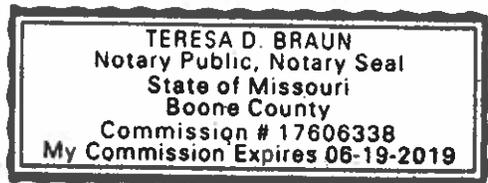
State of Missouri )  
 )  
County of )

I, Tim L. Tunks, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of Shelter General Insurance Company its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

  
\_\_\_\_\_  
Tim L. Tunks, CPA, CFE  
Examiner-In-Charge  
Missouri DIFP

Sworn to and subscribed before me this 2<sup>nd</sup> day of April, 2018.

My commission expires: 6-19-19   
\_\_\_\_\_  
Notary Public



**SUPERVISION**

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

A handwritten signature in blue ink, appearing to read "Michael Shadowens".

Michael Shadowens, CFE  
Audit Manager  
Missouri DIFP