



**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 AmShield 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 AmShield Insurance Company as of December 31, 2016 be and is hereby ADOPTED as filed and for AmShield 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 07th day of June, 2018.

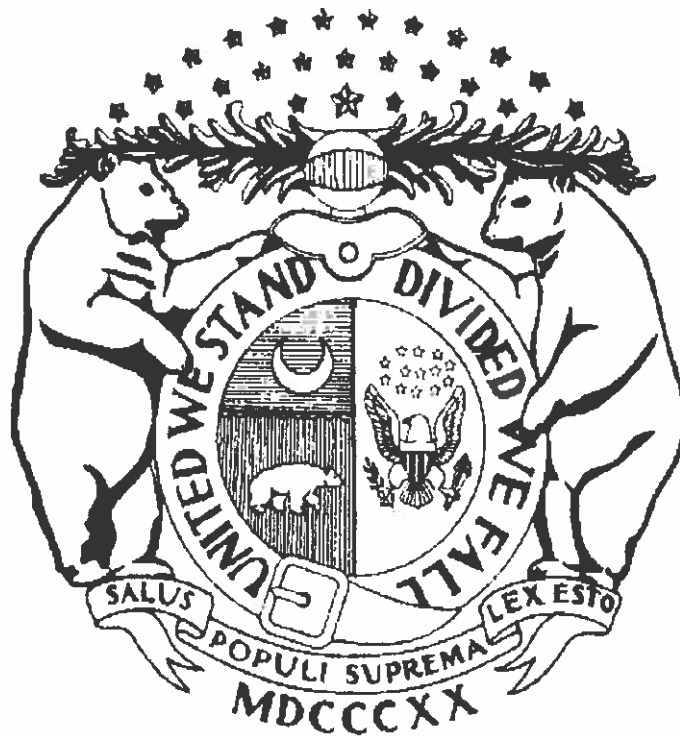


Chlora Lindley-Myers
Chlora Lindley-Myers, Director
Department of Insurance, Financial Institutions
and Professional Registration

**REPORT OF THE
FINANCIAL EXAMINATION OF
AMSHIELD 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**

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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

AmShield Insurance Company

hereinafter referred to as AmShield 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 AmShield. This is the initial examination since the Company was incorporated in 2014. This examination covers the period of May 13, 2014 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 General Insurance Company (Shelter General or SGIC), Shelter Life Insurance Company (Shelter Life or SLIC), and Shelter Reinsurance Company (Shelter Re or SRC).

The examinations of AmShield 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

AmShield was incorporated on May 13, 2014 and commenced business on October 23, 2017. The Company was originally named American Shield Insurance Company. The Company's name was changed to AmShield Insurance Company on July 1, 2016. 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 did not pay any dividends to its sole shareholder, Shelter Mutual, during the examination period. AmShield received capital contributions from Shelter Mutual during the examination period, which are listed in the Intercompany Payments section of this report.

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 ¹ (Chair)	Retired, former Executive Vice President, SMIC
Ricky L. Means ¹ (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

¹ 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 ²	President and Chief Executive Officer
S. Daniel Clapp	Executive Vice President
Teresa K. Magruder	Executive Vice President and Treasurer
Madison M. Moore ³	Executive Vice President
Rockne P. Corbin	Senior Vice President
Randa C. Rawlins ⁴	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

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

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

⁴ 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 AmShield'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 General Insurance Company – A property and casualty insurer that mostly writes commercial auto policies. However, Shelter General began selling a new personal auto product in August 2016 under the brand name "Say Insurance." Say Insurance is sold directly to consumers on the internet, which diversifies the distribution channel from the captive agency model that has historically been used for personal auto policies sold by Shelter Mutual.

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.

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.

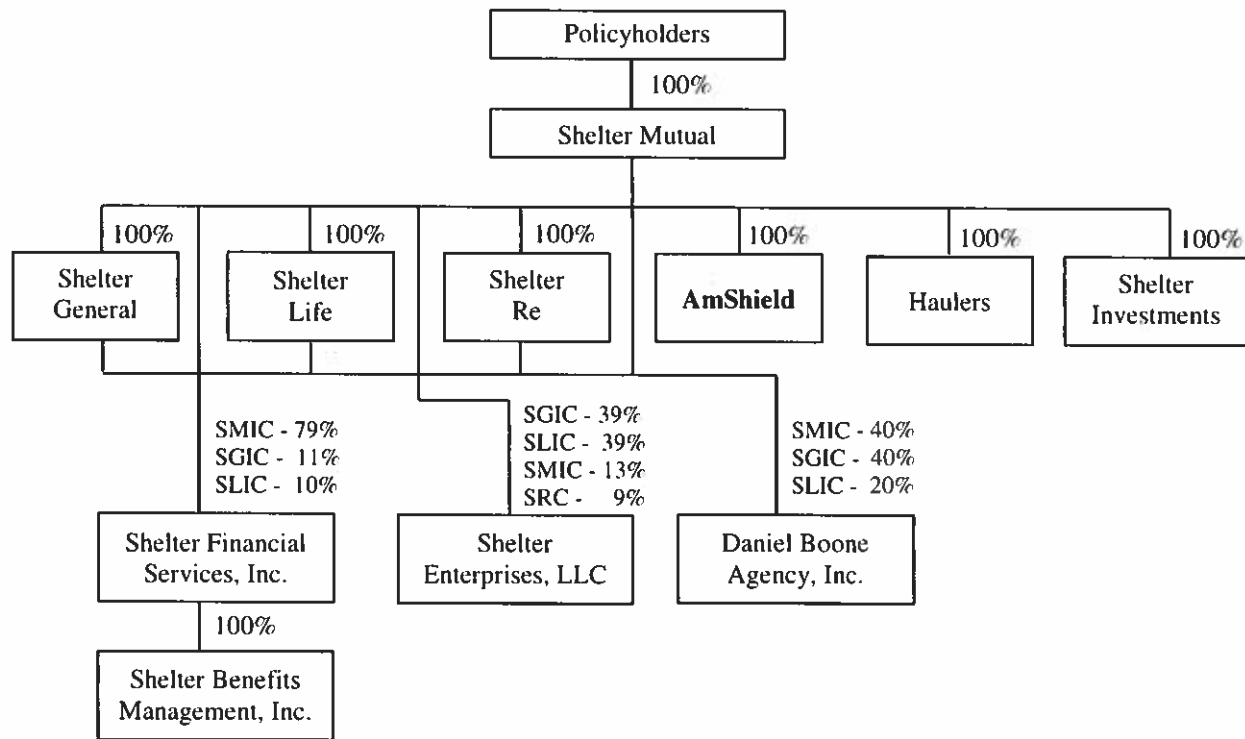
Shelter Benefits Management, Inc. (SBMI) – Manages various agent and employee services for Shelter Mutual employees. Services provided include human resource functions, payroll services, and benefits administration for the employees, agents, and retirees of Shelter Mutual.

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 Insurance Companies. 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 AmShield 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: September 30, 2014

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 AmShield'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 AmShield.

- 2. Type:** Joint Expense Allocation Agreement

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

Effective: December 1, 2004 (revised and restated version) for all parties except AmShield and Shelter Investments; April 1, 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 General, Shelter Re, Shelter Life, Haulers, SFS, SBMI
- Effective:** No stated effective date. Applicable to 1999 and subsequent tax years. Haulers added via amendment effective June 30, 2008; AmShield added via amendment effective September 30, 2014
- Terms:** Shelter Mutual will file a consolidated federal income tax return on behalf of itself and its subsidiaries. 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 General, Shelter Life, Shelter Re, 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 AmShield and its affiliates, pursuant to intercompany agreements and other transactions.

Affiliate	Agreement / Transaction	Net Expense / (Revenue)		
		2014	2015	2016
SMIC	Joint Expense Allocation	\$ 0	\$11,486	\$ 25,904
SBMI	Management Services	0	0	17,928
SMIC	Tax Allocation	6,578	21,202	32,626
SMIC	Capital Contribution	(5,000,000)	0	(1,250,000)
TOTAL		(\$4,993,422)	\$32,688	(\$1,173,542)

TERRITORY AND PLAN OF OPERATION

AmShield is licensed as a property and casualty insurer by the Missouri DIFP under Chapter 379 RSMo (Insurance Other than Life). The Company also became licensed in Arizona, Nevada and Oregon in 2017. The Company did not commence business until October 2017 and only had \$6,138 of direct written premiums in 2017. AmShield began operations in Arizona in 2018 and plans to expand to Oregon in late 2018. The budget for 2018 projects less than 1,000 policies in-force at year-end.

AmShield's business plan is to write personal auto and homeowners business with sales channels and operating territories that are separate from those of the parent, Shelter Mutual. AmShield will utilize independent agents to produce business in comparison to a captive agency force used by Shelter Mutual. As of year-end 2017, AmShield had contracts with five independent agents. AmShield will operate in Western states that are not included in Shelter Mutual's territory.

REINSURANCE

General

The Company did not have any premium activity in the examination period.

Assumed

AmShield does not have any assumed business.

Ceded

AmShield has a quota share agreement, effective September 1, 2014, with Shelter Mutual to cede 100% of net earned premiums and incurred losses for all business written by AmShield. AmShield receives a ceding commission equal to 100% of its underwriting expenses.

AmShield, Shelter Mutual, Shelter General, and Haulers are named insureds in two property catastrophe agreements for 2016. The two agreements include 33 participating reinsurers and cover 100% of losses in excess of a \$100 million retention per occurrence, up a maximum loss of \$435 million. New agreements for catastrophe coverage are executed each year. There was little change in the catastrophe reinsurance coverages or the mix of reinsurers used in 2017 in comparison to 2016.

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, Williams Keepers, LLC, in Columbia, Missouri, performed the statutory audits for 2014 and 2015.

Actuarial Opinion

The Company did not write any business in the examination period and therefore, did not obtain any actuarial opinion due to zero balances reported for loss reserves and loss adjustment expense (LAE) reserves for year-end 2014, 2015 and 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 AmShield 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	\$3,214,693	\$ 0	\$3,214,693
Cash and Short-Term Investments	29,735	0	29,735
Investment Income Due and Accrued	29,726	0	29,726
Net Deferred Tax Asset	1,098,671	440,543	658,128
EDP Equipment and Software	1,565,079	1,565,079	0
Furniture and Equipment	9,623	9,623	0
Receivable from Parent, Sub., Affiliates	64,848	0	64,848
Aggregate Write-In Assets	<u>30,875</u>	<u>30,875</u>	<u>0</u>
TOTAL ASSETS	<u>\$6,043,250</u>	<u>\$2,046,120</u>	<u>\$3,997,130</u>

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

Losses	\$ 0
Loss Adjustment Expenses	0
Federal Income Taxes Payable	7,413
Payable to Parent, Subsidiaries and Affiliates	95,549
Aggregate Write-In Liabilities	<u>1,287</u>
TOTAL LIABILITIES	\$ 104,249
Common Capital Stock	2,600,000
Gross Paid-In and Contributed Surplus	3,650,000
Unassigned Funds (Surplus)	<u>(2,357,119)</u>
CAPITAL AND SURPLUS	<u>\$3,892,881</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$3,997,130</u>

STATEMENT OF INCOME
For the Year Ended December 31, 2016

Premium Earned	\$	0
DEDUCTIONS:		
Losses Incurred		0
Loss Adjustment Expenses Incurred		0
Other Underwriting Expenses Incurred		<u>1,134,015</u>
Total Underwriting Deductions		\$1,134,015
Net Underwriting Loss		(\$1,134,015)
Net Investment Income Earned		89,897
Net Realized Capital Gains		<u>19,307</u>
Net Investment Gain		\$ 109,204
Other Income		0
Dividends to Policyholders		0
Federal Income Taxes Incurred		<u>(22,604)</u>
NET INCOME		<u>(\$1,047,415)</u>

RECONCILIATION OF SURPLUS
Changes from May 13, 2014 to December 31, 2016

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Capital and Surplus, End of Prior Year	\$ 0	\$5,001,591	\$4,361,376
Net Income	649	(362,903)	(1,047,415)
Change in Net Deferred Income Tax	4,678	155,729	938,264
Change in Non-Admitted Assets	(3,736)	(433,041)	(1,609,344)
Paid-In Capital	1,500,000	1,100,000	0
Paid-In Surplus	<u>3,500,000</u>	<u>(1,100,000)</u>	<u>1,250,000</u>
Change in Capital and Surplus for the Year	<u>\$5,001,591</u>	<u>(\$ 640,215)</u>	<u>(\$ 468,495)</u>
Capital and Surplus, End of Current Year	<u>\$5,001,591</u>	<u>\$4,361,376</u>	<u>\$3,892,881</u>

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 AmShield 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.

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 AmShield 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.

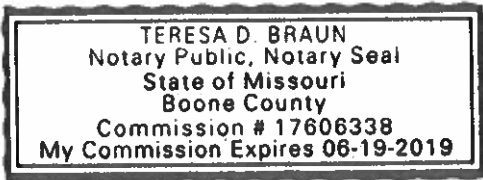
Tim Tunks

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

Sworn to and subscribed before me this 2nd day of April, 2018.

My commission expires: 6-19-19 *Teresa D. Braun*

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.



Michael Shadowens, CFE
Audit Manager
Missouri DIFP