



**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 Life 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 Life Insurance Company as of December 31, 2016 be and is hereby ADOPTED as filed and for Shelter Life 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
SHELTER LIFE 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

Shelter Life Insurance Company

hereinafter referred to as Shelter Life, SLIC, 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 Life. 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 General Insurance Company (Shelter General or SGIC), Shelter Reinsurance Company (Shelter Re or SRC), and AmShield Insurance Company (AmShield).

The examinations of Shelter Life 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 Life was incorporated on November 13, 1958 and was originally named M.F.A. Life Insurance Company. It was issued a Certificate of Authority and commenced business on March 2, 1959. The Company's name was changed to Shelter Life Insurance Company on July 1, 1981. The Company operates as a stock life and health insurer under the insurance laws of Chapter 376 RSMo (Life and Accident Insurance).

Dividends and Capital Contributions

The Company did not pay any dividends to its sole shareholder, Shelter Mutual, or receive any capital contributions 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 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
David N. Abbott	Vice President of Investments
Marsha L. Carter	Vice President and General Manager
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
Christina M. Workman	Vice President of Accounting, Assistant Treasurer
Dina C. Krofta	Assistant Secretary
Paul J. LaRose	Assistant Secretary
Alan S. Larson	Assistant Secretary

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 Shelter Life'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.

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.

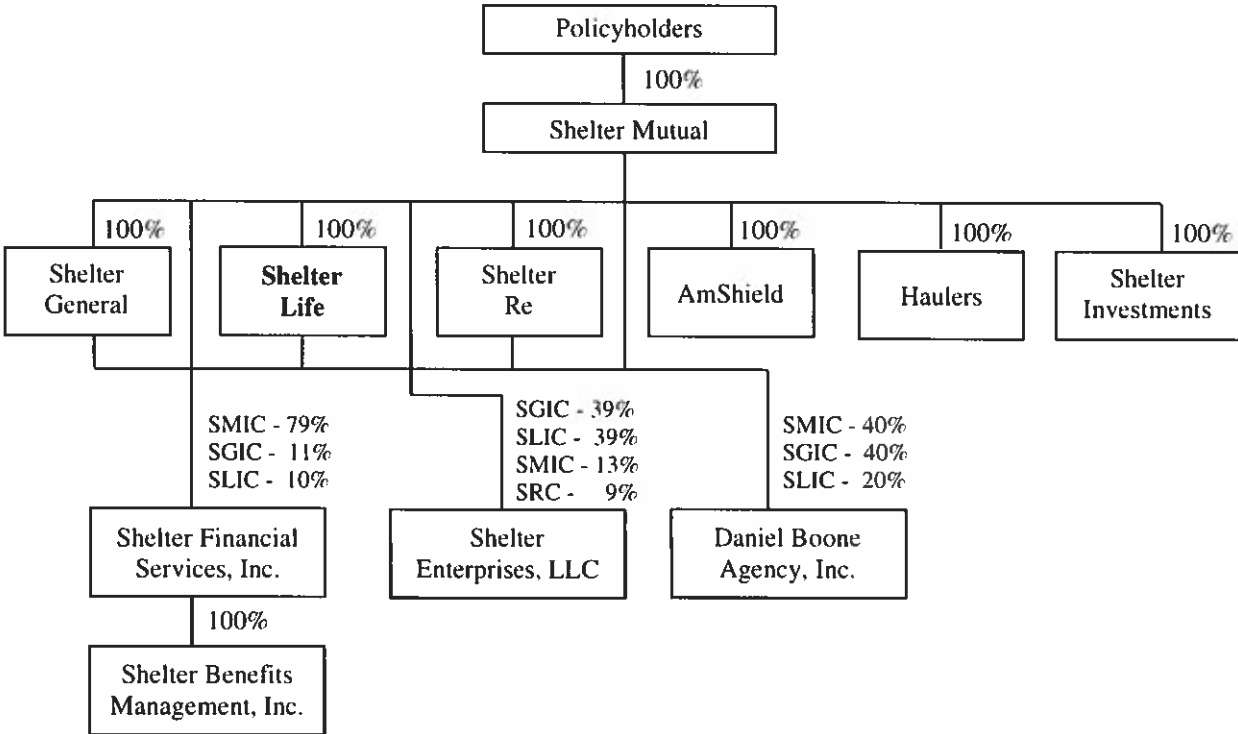
Shelter Benefits Management, Inc. (SBMI) – Manages various agent and employee services for Shelter Mutual employees. Services provided include human resource functions, payroll services, and benefits administration for the employees, agents, and retirees of Shelter Mutual.

Shelter Enterprises, LLC (Shelter Enterprises) – Owns real estate, property and equipment and derives its income from leasing the assets to 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 Shelter Life 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: January 1, 1997

Terms: Shelter Mutual agrees to 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 Life'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 Life.

- 2. Type:** Joint Expense Allocation Agreement

Affiliates: Shelter Mutual, Shelter General, Shelter Re, 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 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, AmShield, Haulers, SFS, SBMI
Effective: No stated effective date. Applicable to 1999 and subsequent tax years.
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:** Commission Agreement
Affiliate: Daniel Boone Agency
Effective: September 9, 2006
Terms: Shelter Life may sell life and annuity products to affiliated entities and DBA agrees to be the licensed producer for such policies. Laws in the State of Missouri require a licensed producer to facilitate the sale of such products. DBA shall receive a fee equal to 1% of premiums or annuity considerations for any products sold by Shelter Life.
- 5. Type:** Secured Promissory Note
Affiliate: Shelter Enterprises
Effective: May 1, 2006
Terms: SLIC extends credit to allow Shelter Enterprises to borrow up to \$8,000,000, as needed. The actual amount borrowed by Shelter Enterprises was \$6,500,000 on May 1, 2007. Shelter Enterprises pays equal monthly payments of principal and interest that began June 1, 2007 and will end on May 1, 2027. The loan balance is secured by real estate in Columbia, Missouri. The interest rate was reduced to 5.25%, effective October 1, 2011, and reduced to 4%, effective October 1, 2016. The loan balance outstanding was \$4,272,147, as of December 31, 2016.
- 6. Type:** Secured Promissory Note
Affiliate: Shelter Enterprises
Effective: June 27, 2013
Terms: Shelter Enterprises promises to repay Shelter Life a principal balance of \$6,700,000 plus 3% annual interest. Shelter Enterprises pays equal monthly payments of principal and interest totaling \$64,696 to Shelter Life that began August 1, 2013 and will end on July 1, 2025. The principal balance is secured by real estate in Williamson County, Tennessee. The loan balance outstanding was \$4,581,992, as of December 31, 2016.

- 7. Type:** Line of Credit Promissory Note
Affiliate: Shelter Enterprises
Effective: October 24, 2008
Terms: Shelter Life extends credit to allow Shelter Enterprises to borrow up to \$1,000,000, as needed. Shelter Enterprises pays interest on loan amounts at a rate of 1.0% under the Prime Rate on an “interim reset date”, which is mutually agreed upon at the time of the advance. The principal amounts are to be paid upon demand. Principal of \$200,000 was borrowed by Shelter Enterprises in 2016 and was outstanding, as of December 31, 2016.
- 8. Type:** Revolving Line of Credit
Affiliates: Shelter Mutual, Shelter General, 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.

Intercompany Payments

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

Affiliate	Agreement / Transaction	Net Expense / (Revenue)			
		2013	2014	2015	2016
SMIC	Joint Expense Allocation	\$14,379,516	\$13,314,335	\$13,203,161	\$12,367,977
SBMI	Management Services	434,079	515,861	528,981	571,482
SMIC	Tax Allocation	802,558	707,878	764,863	2,854,227
DBA	Dividends	(540,000)	(540,000)	(600,000)	(680,000)
Enterprises	Promissory Note (2006)	(537,252)	(582,023)	(537,252)	(529,298)
Enterprises	Promissory Note (2013)	6,361,000	(824,891)	(776,348)	(776,349)
Enterprises	Line of Credit	0	0	0	199,885
TOTAL		\$20,899,901	\$12,591,160	\$12,583,405	\$14,007,924

In addition, the Company purchased bonds from Shelter Mutual in 2013 at a total cost of \$84,245,154.

TERRITORY AND PLAN OF OPERATION

Shelter Life is licensed as a life and health insurer by the Missouri DIFP under Chapter 376 RSMo (Life, Health and Accident Insurance). The Company was licensed and wrote business in fourteen (14) states, as of December 31, 2016. The Company became licensed in Ohio in 2017 and plans to start writing business there in 2018. 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	\$ 33,218,484	24.4%
Arkansas	25,704,323	18.9%
Oklahoma	11,473,482	8.4%
Tennessee	9,974,119	7.3%
Kansas	8,829,739	6.5%
All Other	<u>46,854,724</u>	<u>34.4%</u>
Total	<u>\$136,054,871</u>	<u>100.0%</u>

The Company's significant lines of business are shown below.

<u>Line of Business</u>	<u>2016 Net Written Premiums</u>	<u>Percent of Total</u>
Ordinary Life	\$107,628,115	84.9%
Group Accident and Health (A&H)	10,362,351	8.2%
Annuities	6,071,444	4.8%
All Other	<u>2,635,472</u>	<u>2.1%</u>
Total	<u>\$126,697,382</u>	<u>100.0%</u>

Ordinary life products include whole life, term life, and universal life policies. The group A&H business consists entirely of policies to insure the captive agents of Shelter Mutual and the Board of Directors. The Company has not actively marketed annuities since 2011.

The Company's business is produced mostly by a captive agency system of 1,319 agents, as of December 31, 2016, that also sell policies for Shelter Mutual and Shelter General. Shelter Life leverages the customer base of Shelter Mutual and Shelter General by cross-selling life insurance products to these existing policyholders.

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	\$127,070,326	\$129,974,572	\$135,128,431	\$142,196,770
Assumed:				
Affiliates	0	0	0	0
Non-affiliates	0	0	0	0
Ceded:				
Affiliates	0	0	0	0
Non-affiliates	<u>(14,115,243)</u>	<u>(14,685,950)</u>	<u>(15,228,602)</u>	<u>(15,499,388)</u>
Net Premiums Written	<u>\$112,955,083</u>	<u>\$115,288,622</u>	<u>\$119,899,829</u>	<u>\$126,697,382</u>

Assumed

The Company does not assume any business.

Ceded

The following is a summary of the reinsurance program, as of December 31, 2016. The Company's level term policies are ceded on a quota share basis to Scor Global Life USA Reinsurance Company (Scor Global Life). Shelter Life cedes 25% of policy limits to Scor Global Life until a maximum retention of \$1,000,000 per policy is reached. The Company's "Express Term" policies are ceded on a quota share basis to RGA Reinsurance Company (RGA). Shelter Life cedes 50% of policy limits to RGA until a maximum retention of \$1,000,000 per policy is reached.

For all other life insurance policies, Shelter Life retains \$1,000,000 for each policy and policy limits in excess of \$1,000,000 are 100% ceded on a facultative basis to either Scor Global Life, RGA, or Optimum Re Insurance Company. These three reinsurers place competitive bids to determine the reinsurer for each of the facultative risks over the \$1,000,000 retention.

The most significant reinsurers for Shelter Life, based upon in-force and reserves ceded as of December 31, 2016, were as follows:

<u>Reinsurer</u>	<u>Ceded In-Force as of 12/31/2016</u>	<u>Percent of Total</u>	<u>Ceded Reserves as of 12/31/2016</u>	<u>Percent of Total</u>
Scor Global Life	\$4,874,330,357	72.1%	\$28,126,207	71.3%
RGA	1,560,891,500	23.1%	7,797,455	19.8%
All Other	<u>323,809,278</u>	<u>4.8%</u>	<u>3,515,631</u>	<u>8.9%</u>
Total	<u>\$6,759,031,135</u>	<u>100.0%</u>	<u>\$39,439,293</u>	<u>100.0%</u>

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 Company's policy and claim reserves was issued by Alan S. Larson, ASA, MAAA, for all years in the examination period. Mr. Larson is an employee of SBMI.

Consulting Actuary

Pursuant to a contract with the Missouri DIFP, Rex Durrington, FSA, MAAA of Hause Actuarial Solutions, Inc., reviewed the actuarial methodologies and calculations used by Shelter Life. Mr. Durrington determined that the Company made an adequate provision for the policy and claim 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 Life 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	\$1,038,583,412	\$ 0	\$1,038,583,412
Common Stocks	12,584,466	0	12,584,466
Mortgage Loans on Real Estate	8,854,139	0	8,854,139
Cash and Short-Term Investments	2,009,347	0	2,009,347
Contract Loans	23,537,463	277,734	23,259,729
Other Invested Assets	49,115,112	0	49,115,112
Investment Income Due and Accrued	10,048,813	0	10,048,813
Uncollected Premiums	925,797	0	925,797
Deferred Premiums	37,126,166	0	37,126,166
Amounts Recoverable from Reinsurers	661,188	0	661,188
Other Reinsurance Receivables	197,521	0	197,521
Federal Income Tax Recoverable	536,832	0	536,832
Net Deferred Tax Asset	30,814,242	20,317,430	10,496,812
Guaranty Funds Receivable	3,490,986	7,400	3,483,586
EDP Equipment and Software	16,209	0	16,209
Furniture and Equipment	88,052	88,052	0
Receivable from Parent, Sub., Affiliates	968,826	0	968,826
Aggregate Write-In Assets	64,242	0	64,242
TOTAL ASSETS	<u>\$1,219,622,813</u>	<u>\$20,690,616</u>	<u>\$1,198,932,197</u>

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

Aggregate Reserve for Life Contracts	\$ 904,514,991
Aggregate Reserve for A&H Contracts	5,370,877
Liability for Deposit-Type Contracts	58,507,897
Contract Claims – Life	5,913,096
Contract Claims – A&H	929,306
Policyholder Dividends Apportioned for Payment	3,260,358
Premiums Received in Advance	216,447
Other Amounts Payable on Reinsurance	1,160,773
Interest Maintenance Reserve	3,386,045
Commissions Due or Accrued	79,628
General Expenses Due or Accrued	350,344
Taxes, Licenses and Fees	3,898,402
Unearned Investment Income	12,283
Remittances and Items Not Allocated	375,371
Asset Valuation Reserve	10,782,346
Liability for Benefits for Employees and Agents	1,202,959
Payable to Parent, Subsidiaries and Affiliates	2,966,503
Aggregate Write-In Liabilities	<u>120</u>
TOTAL LIABILITIES	\$1,002,927,746
Common Capital Stock	12,000,000
Unassigned Funds (Surplus)	<u>184,004,448</u>
CAPITAL AND SURPLUS	\$ 196,004,448
TOTAL LIABILITIES AND SURPLUS	<u>\$1,198,932,194</u>

SUMMARY OF OPERATIONS
For the Year Ended December 31, 2016

Premiums and Annuity Considerations	\$126,697,382
Considerations for Supp. Contracts with Life Contingencies	29,203
Net Investment Income	41,886,237
Amortization of Interest Maintenance Reserve	669,898
Commission and Expense Allowances on Reins. Ceded	3,203,819
Miscellaneous Income	<u>16,215</u>
TOTAL	\$172,502,754
Death Benefits	\$ 45,154,423
Matured Endowments	249,513
Annuity Benefits	2,451,127
Disability Benefits and Benefits Under A&H Policies	10,508,378
Surrender Benefits and Withdrawals for Life Contracts	28,331,314
Interest and Adjust. on Policy or Deposit-Type Contract Fun	2,534,123
Payments on Supp. Contracts with Life Contingencies	426,086
Increase in Aggregate Reserves for Life, A&H Policies	24,211,398
Commissions on Direct Business	9,468,938
General Insurance Expenses	20,247,691
Insurance Taxes, Licenses and Fees	3,205,608
Increase in Loading on Deferred and Uncollected Premiums	<u>(145,139)</u>
TOTAL	\$146,643,460
NET GAIN FROM OPERATIONS	\$ 25,859,294
Dividends to Policyholders	4,386,888
Federal Income Taxes Incurred	6,411,679
Net Realized Capital Gains (Losses)	<u>1,129,294</u>
NET INCOME	<u>\$ 16,190,021</u>

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	\$165,387	\$181,574	\$177,997	\$184,131
Net Income	14,563	(4,906)	7,549	16,190
Change in Net Unrealized Gains (Losses)	2,076	1,067	1,983	1,528
Change in Net Deferred Income Tax	4,374	9,619	1,003	973
Change in Non-Admitted Assets	(3,547)	(7,192)	(2,199)	(4,490)
Change in Asset Valuation Reserve	(1,279)	(2,165)	(2,202)	(1,545)
Agg. Write-Ins for Gains (Losses) in Surplus	<u>0</u>	<u>0</u>	<u>0</u>	<u>(782)</u>
Change in Capital and Surplus for the Year	<u>\$ 16,187</u>	<u>(\$ 3,577)</u>	<u>\$ 6,134</u>	<u>\$ 11,874</u>
Capital and Surplus, End of Current Year	<u>\$181,574</u>	<u>\$177,997</u>	<u>\$184,131</u>	<u>\$196,005</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 Shelter Life 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. Rex Durrington, FSA, MAAA, of Hause Actuarial Solutions, Inc., also participated as a consulting actuary.

VERIFICATION

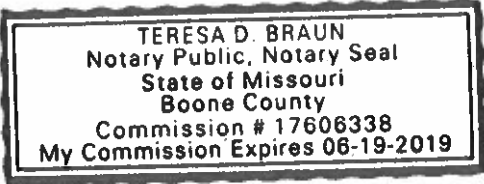
State of Missouri)
)
County of)

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 Life 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.

A handwritten signature in blue ink, appearing to read "Michael K. Shadowens", is written over a horizontal line.

Michael Shadowens, CFE
Audit Manager
Missouri DIFP