



DEPARTMENT OF COMMERCE & INSURANCE

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

ORDER

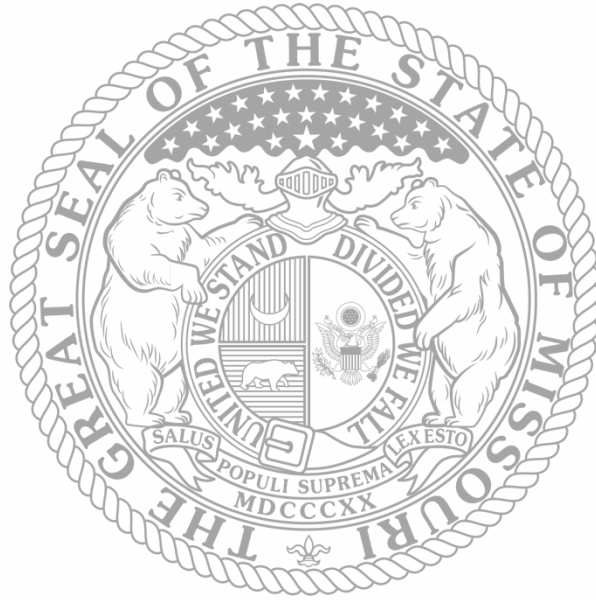
After full consideration and review of the report of the financial examination of Traders Insurance Company for the period ended December 31, 2019, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Commerce and Insurance 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 finding, company history, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, accounts and records, financial statements, comments on financial statement items, financial statement changes resulting from examination, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Traders Insurance Company as of December 31, 2019 be and is hereby ADOPTED as filed and for Traders 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 13th day of May, 2021.



Chlora Lindley Myers
Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

TRADERS INSURANCE COMPANY

AS OF
DECEMBER 31, 2019

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Kansas City, MO
April 14, 2021

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
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

Traders Insurance Company (NAIC #42749)

hereinafter referred to as such, as Traders, or as the Company. Its administrative office is located at 9300 Troost Avenue, Kansas City, Missouri, telephone number (816) 822-1887. The fieldwork for this examination began on September 15, 2020, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a multiple state financial examination of Traders Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2012 through December 31, 2015. The current examination covers the period of January 1, 2016 through December 31, 2019, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

Procedures

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook (Handbook)*, except where practices, procedures, and applicable regulations of the Department 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 the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis.

This examination also included a review of significant estimates made by management and evaluation of 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 will be documented separately following the Company's financial statements.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to Traders included Investments, Underwriting, Claims Handling/Reserving, Reinsurance, and Related Party. The examination also included a review and evaluation of information technology general controls.

This examination report includes significant findings of fact, as mentioned in Section 374.205 RSMo (Examination, director may conduct, when...) 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 are 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.

COMPANY HISTORY

General

Traders Insurance Company was incorporated on March 31, 1980, as a stock casualty insurance company under the insurance laws of Chapter 379 RSMo (Insurance Other Than Life), and commenced business effective July 7, 1982.

Mergers, Acquisitions, and Major Corporate Events

There were no mergers or acquisitions during the examination period.

Dividends and Capital Contributions

Traders paid a \$2 million ordinary dividend to its parent, Traders General Agency, Inc. (TGA), in June of 2019. Subsequent to the examination period, Traders paid an additional two dividends to TGA. The first was an ordinary dividend of \$3 million paid in March of 2020. The second dividend of \$9 million was paid in December of 2020. Of the \$9 million amount, approximately \$4.5 million was considered extraordinary. The dividends paid during and subsequent to the examination period are summarized in the table below.

Year	Amount
2019	\$ 2,000,000
2020	12,000,000
Total	\$ 14,000,000

Surplus Notes

On December 20, 2015, Traders issued a surplus note to TGA in the amount of \$2 million. The terms of the note included a fixed interest rate of 3.3% and a term of three years, with annual payments of accrued interest and one-third of the original principal amount payable on the first of January of each year, beginning in 2017. The Department issued approval of the surplus note on January 8, 2016. The Department approved the following surplus note payments during the examination period:

Year	Amount
2017	\$ 732,666.67
2018	710,666.67
2019	688,666.66
Total	\$ 2,132,000.00

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board of Directors that is elected by the shareholders. The Company's Bylaws specify that the number of directors shall be no less than nine or more than fifteen. The Directors elected and serving as of December 31, 2019, were as follows:

<u>Name and Address</u>	<u>Principal Occupation and Business Affiliation</u>
Mark C. Concannon Kansas City, Missouri	President, Chief Executive Officer Traders Insurance Company
Patrick J. Concannon Kansas City, Missouri	Executive Vice President, Chief Operating Officer Traders Insurance Company
Barbara J. Concannon* Kansas City, Missouri	Vice President Traders Insurance Company
Michael F. Concannon Louisiana, Missouri	Retired Agency Owner Michael F. Concannon, Inc.
Jeremiah H. Concannon Kirkwood, Missouri	Retired President of Insurance Agency Health Benefits Services of St. Louis, Inc.
Donald C. Daniels Kansas City, Missouri	Retired President of Insurance Agency Davidson-Babcock, LLC.
Mary M. McCalla Kansas City, Missouri	Finance Director O'Neill Marketing & Event Management, Inc
James A. Hezel New Braunfels, Texas	Director of Marketing Heimer Insurance Services, Inc
Timothy D. Kutzberger Overland Park, Kansas	Global Account Manager Checkpoint Software Technologies, LTD

*Barbara J. Concannon passed away in July of 2020. Her vacant Director position was filled by Brandon H. Neff during the fourth quarter of 2020.

Senior Officers

The Company's Bylaws state that officers of the Company shall consist of a President, one or more Vice Presidents, a Secretary, and a Treasurer who are elected annually by the Board of Directors. Any two or more offices may be held by the same individual, except the offices of the President and Secretary. The officers elected and serving, as of December 31, 2019, were as follows:

<u>Name</u>	<u>Office</u>
Mark C. Concannon	President, Chief Financial Officer
Patrick J. Concannon	Executive Vice President, Chief Operating Officer, and Secretary
Barbara J. Concannon*	Vice President and Treasurer
Ty A. Anderson^	Vice President, Claims

*Mark Concannon was elected Treasurer upon Barbara Concannon's death

^Ty Anderson resigned effective November 1, 2020

Principal Committees

The Company's Bylaws allow the Board to establish an Executive Committee and other committees approved by a majority Board resolution. As of December 31, 2019, the Company has an Audit Committee, which is comprised of all the above Board members, with the exception of the President, Mark Concannon. Mary McCalla serves as the Audit Committee Chairperson.

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed. In 2016, an amendment was made to the Articles of Incorporation which changed the address of its registered office in Missouri from 8916 Troost Avenue, Kansas City, Missouri 64131 to its current location at 9300 Troost Avenue, Kansas City, Missouri 64131. In 2017, an amendment was made to the Bylaws which changed the date of the annual meeting of the shareholders from the fourth Tuesday of February to the second Tuesday of April. The amendment also added language specifying when the meeting of the newly elected Board shall take place if the Board members are elected by a valid written consent in lieu of a meeting. The minutes of the Board of Directors, Shareholders, and Audit Committee were reviewed for the period under examination.

Holding Company, Subsidiaries, and Affiliates

Traders is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). Insurance Company Registration Statements were filed by the Company during each of the years under examination.

The Company is wholly owned by Traders General Agency, Inc. (TGA), which is exclusively owned by members of the Concannon family. During the examination period, TGA's ownership consisted of Mark and Lorie Concannon (52.7% of TGA shares), Patrick and Tracey Concannon (26.7% of TGA shares), and Barbara Concannon, who served as Trustee for both the Barbara Concannon Trust dated July 11, 1997 (the "Barbara Trust"), and the Bernard P. Concannon, Jr. Trust dated July 11, 1997 (the "Bernard Trust"). The Barbara Trust owned 17.1% of TGA shares and the Bernard Trust owned 3.6% of TGA shares. Although Mark and Lorie Concannon hold a majority of TGA stock at 52.7%, each of the shareholders was granted equal voting rights under a Shareholder Voting Agreement filed with the Department in February of 2009.

TGA is also the sole owner of Professional Claims, Inc. (PCI), a property and casualty claims adjustment company. Traders has a claims management agreement with PCI that delegates the authority to manage claims made under automobile policies issued by Traders. However, while the agreement is still active, PCI did not perform any services for Traders during the examination period, and all claims related to the automobile lines of business are being settled by Traders.

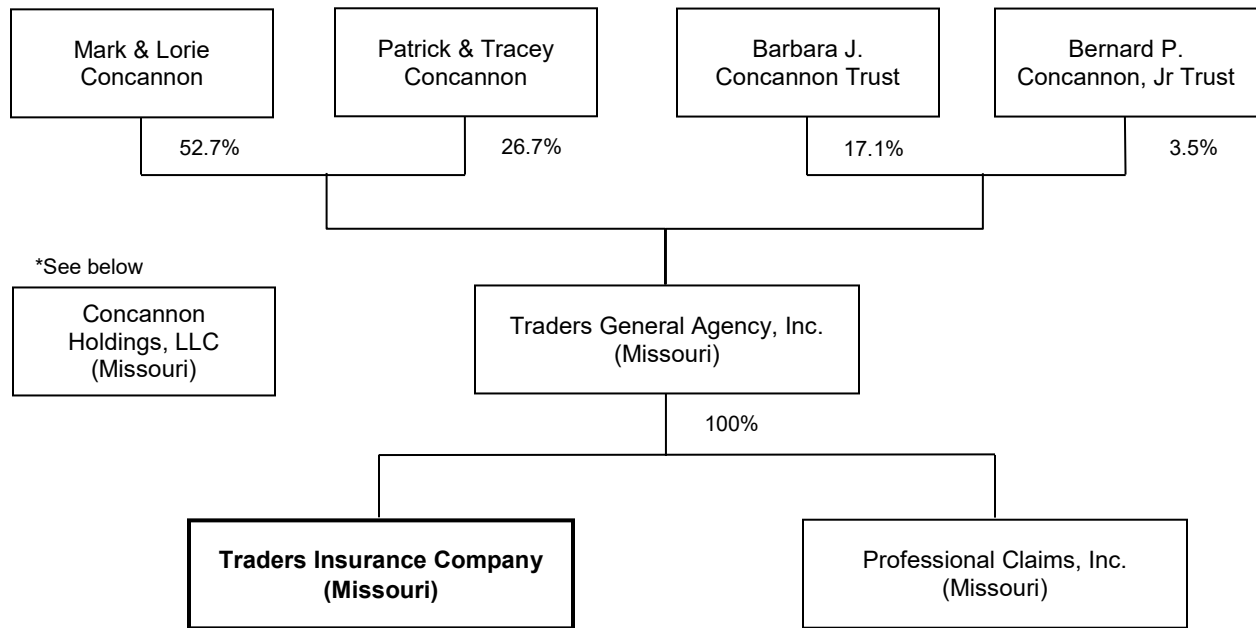
Subsequent to the examination period, in July of 2020, Barbara Concannon passed away. Upon her death, Patrick Concannon was appointed as the Trustee for both the Barbara Trust and the Bernard Trust (collectively referred to as the "Trusts"). Following Ms. Concannon's death, Mark Concannon and Patrick Concannon, as majority shareholders of TGA, made the decision to restructure TGA, in order to create the capacity to transfer equity in TGA to related parties. The restructuring occurred via the creation of Class A Voting common stock and Class B Non-Voting common stock. The 750 outstanding shares of TGA common stock were exchanged one-for-one for 750 Class A common shares. TGA then declared a stock dividend of 74,250 shares of Class B common stock, which were issued to existing holders of the common shares at a 99-to-1 ratio. The Trusts' documents provided Mark Concannon and Patrick Concannon each the option to purchase one-half of the TGA shares owned by the Trusts. Mark Concannon and Patrick Concannon each transferred their options to purchase the Class B Non-Voting common shares to their children (Mark, two children; Patrick, four children). The children transferred these options

into individual trusts established in each child’s respective name and subsequently exercised the option to purchase their respective shares of the Trusts’ combined 15,345 shares of TGA Class B Non-Voting stock. At the same time, Mark Concannon and Patrick Concannon exercised their options to purchase one-half (77.5 shares each) of the Trusts’ combined 155 shares of Class A Voting stock. The sale of the Trusts’ TGA stock closed on December 28, 2020.

Mark Concannon and Patrick Concannon also equally share ownership of Concannon Holdings LLC (CHLLC), a Missouri limited liability company formed in February of 2015. CHLLC owns the office building utilized by Traders and TGA for operations, and both Traders and TGA have a lease agreement with CHLLC. As CHLLC shares common ownership with Traders’ parent, TGA, CHLLC is considered a related party of Traders and is reported as such on the Annual Statement.

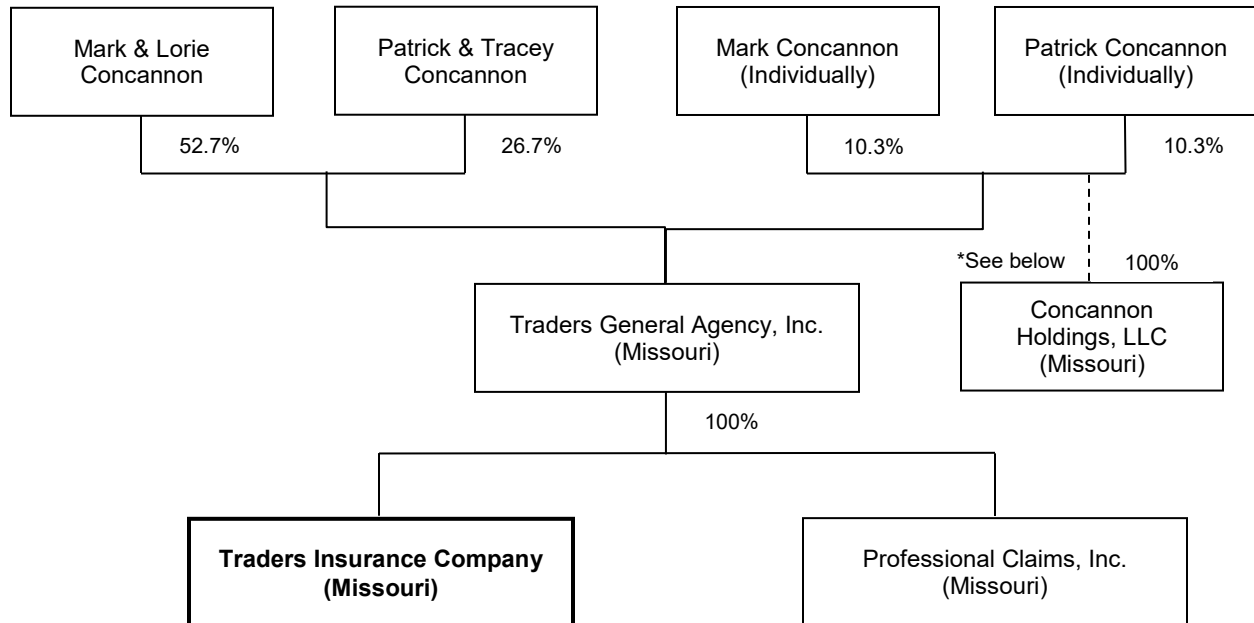
Organizational Chart

The following organizational chart depicts the applicable portion of the holding company group as of December 31, 2019.



*Note – Concannon Holdings, LLC is equally owned by Mark Concannon and Patrick Concannon. Neither of the Concannon Trusts (Barbara or Bernard) have any ownership interest in CHLLC.

As described under the “Holding Company, Subsidiaries, and Affiliates” subsection above, effective December 28, 2020, Mark Concannon and Patrick Concannon each exercised their option to purchase one-half of the combined 155 TGA Class A Voting shares owned by the Barbara Concannon Trust and the Bernard Concannon, Jr. Trust. Ownership of the Company based on percentage of Class A Voting shares owned as of December 28, 2020, is displayed below:



*Note – Concannon Holdings, LLC is equally owned by Mark Concannon and Patrick Concannon.

Intercompany Transactions

The following agreements represent significant contracts executed with affiliated entities that were in effect as of December 31, 2019. A brief description of these agreements are as follows:

Insurance Management Agreement: Since August 1, 2013, Traders and TGA have been parties to an Insurance Management Agreement, whereby Traders appointed TGA as Manager. The agreement grants TGA the authority required to supervise and conduct the writing of Traders insurance products through the appointment and supervision of local agents and solicitation of insurance applications, in accordance with Traders’ underwriting guidelines. According to the terms of this Agreement, TGA is responsible for the maintenance of books and records for transactions conducted on behalf of Traders and for the collection and deposit of premium payments for Traders’ policies.

Expense Sharing Agreement: Effective April 1, 2001, Traders entered into an Expense Sharing Agreement with its then-parent The Concannon Group of Companies, Inc., its affiliate PCI, and its then-direct subsidiary Express Auto Insurance Agency, LLC (Express Auto). The Expense Sharing Agreement has been amended several times to reflect various changes in the organizational structure and agreement terms, including the dissolution of Express Auto in December of 2004. The current parties to the Expense Sharing Agreement are Traders, TGA, and PCI. Under the terms of the Expense Sharing Agreement, direct expenses are allocated to the party for which the expense was incurred. Expenses that benefit both Traders and its affiliates are allocated equally, while other expenses are allocated consistent with the party receiving the benefit.

Lease Agreement: Effective January 1, 2016, Traders and CHLLC entered into a Lease Agreement, under which Traders agreed to lease office space from CHLLC. Base rent is comprised of usable square feet (space occupied by Traders only), shared usable square feet (space occupied by Traders and TGA), and common square foot (footage that is shared by all tenants). Traders also agreed to pay additional rent for its percentage of CHLLC’s operating and maintenance costs in excess of an agreed upon amount. CHLLC provides utilities and janitorial services for the facility. The term of the Lease Agreement is sixty months and was renewed effective January 1, 2021. TGA has a separate lease agreement with CHLLC.

Claims Management Agreement: Traders and PCI have been parties to a Claims Management Agreement since September 1, 1990. Under the Claims Management Agreement, which has been amended several times in its history, PCI provides claims management and adjusting services to Traders. As noted previously in this report, while the Claims Management Agreement is still active, PCI did not provide any services to Traders during the examination period.

TERRITORY AND PLAN OF OPERATION

Traders Insurance Company is licensed in Missouri under Section 379 RSMo (Insurance other than life) to write the business of property and casualty insurance. As of December 31, 2019, the Company was also licensed in the states of Arizona, Arkansas, Indiana, Iowa, Kansas, Kentucky, Nebraska, New Mexico, Oklahoma, and Wisconsin.

The Company writes non-standard private passenger automobile liability and property damage coverage in Arkansas, Missouri, Kansas, and Oklahoma. Oklahoma, Missouri, and Kansas comprise the majority of the Company’s direct written premiums with 42%, 24% and 23% respectively. In 2016, Traders began writing renters insurance, which is reported under the fire line of business. Private passenger automobile liability coverage represented 82% of direct written premiums, with automobile physical damage coverage accounting for the remaining 18% of direct written premiums. Written premiums related to the renters program represented less than one-half of a percent of the total written premium for 2019.

Traders markets its business through independent agencies. Trader’s parent, TGA, contracts with and supervises third-party independent agents on behalf of the Company. TGA also provides marketing and premium processing services to Traders. The renters program is administered by Hanover Services Company, an affiliate of Hanover Fire and Casualty Insurance Company, with which Traders partnered to develop the renters product.

GROWTH OF COMPANY AND LOSS EXPERIENCE

While Traders saw increases in net premiums written in each year of the examination, growth slowed significantly in 2018 and 2019. The larger increases in net premiums written in 2016 and 2017 are largely due to changes in the quota-share reinsurance agreements. For the first seven months of 2016, Traders retained 100% of its written premium, until August 1, 2016, when Traders entered into a quota-share agreement under which it retained 85% of its written premium. On August 1, 2017, the Company renewed the quota-share agreement, but decreased its retention to 80% of written premium. Traders maintained the 80% retention under the quota-share agreements for 2018 and 2019, which contributed to the smaller increases in net premiums written for those years. See the “Ceded Reinsurance” subsection for additional detail regarding the Company’s reinsurance agreements

The net premiums to surplus ratio decreased each year under examination. This was due to capital and surplus increasing at a higher rate than net premiums written. The increases in capital and surplus were largely due to increases in net income each year of examination.

The table on the following page summarizes the Company's premium writings and writing ratios for the period under examination:

(\$000s omitted)

Year	Net Premiums Written	Change in Net Premiums	Capital and Surplus	Ratio of Net Premiums to Surplus
2016	\$ 63,800	23.3%	\$ 22,933	278.2%
2017	70,387	10.3%	25,801	272.8%
2018	73,493	4.4%	31,683	232.0%
2019	75,518	2.8%	36,517	206.8%

Losses and loss adjustment expenses (LAE) remained largely consistent with the fluctuations in net premiums written. As noted above, net income increased during the examination period with the increase in premiums written.

The table below summarizes the Company's incurred losses and loss ratios for the period under examination:

(\$000s omitted)

Year	Net Premiums Earned	Net Losses and Loss Adjustment Expenses	Loss Ratio
2016	\$ 61,654	\$ 46,489	75.4%
2017	67,869	51,938	76.5%
2018	72,714	54,737	75.3%
2019	75,170	55,794	74.2%

REINSURANCE

General

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

(\$000s omitted)

Premium Type	2016	2017	2018	2019
Direct Premiums Written	\$ 68,693	\$ 85,396	\$ 92,029	\$ 94,607
Reinsurance Assumed:	-	-	-	-
Reinsurance Ceded:				
Affiliates	-	-	-	-
Non-Affiliates	4,893	15,009	18,537	19,089
Net Premiums Written	\$ 63,800	\$ 70,387	\$ 73,493	\$ 75,518

Assumed Reinsurance

Traders did not assume any business during the period under examination.

Ceded Reinsurance

Traders' reinsurance program consists of a quota-share agreement, the purpose of which is to maintain acceptable net leverage ratios, and a property catastrophe excess of loss agreement, the purpose of which is to protect the Company's earnings and surplus against large catastrophic events. As noted under the "Growth of Company and Loss Experience" section above, effective August 1, 2016, Traders entered into a quota share agreement under which it retained 85% of premiums and liabilities for the private passenger automobile liability and automobile physical damage policies. The Company renewed the quota-share agreement effective August 1, 2017, but reduced its retention to 80% of premiums and liabilities. Traders retention under the quota-share agreements for 2018 and 2019 remained at 80% of premiums and liabilities.

The property catastrophe excess of loss agreement covers the automobile physical damage and renter's insurance business. There are two layers of coverage in this agreement. In the first excess layer, Traders' ultimate net loss per loss occurrence is \$500 thousand, while the reinsurer's ultimate net loss per occurrence is \$2.5 million, with an ultimate net loss for all loss occurrences under the agreement of \$5 million. Under the second excess layer, the reinsurer's ultimate net loss per occurrence is \$2 million, with an ultimate net loss for all loss occurrences under the agreement of \$4 million.

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 contract.

ACCOUNTS AND RECORDS**Independent Auditor**

The certified public accounting (CPA) firm, Johnson Lambert, LLP located in Jacksonville, Florida, performed the statutory audit of the Company for the years under examination. Reliance was placed upon the CPA workpapers as deemed appropriate. Such reliance included, but was not limited to fraud risk analysis, general ledger and journal entry testing, narrative descriptions of processes and controls, and substantive testing of investments, premiums, reinsurance, and reserving.

Actuarial Opinion

Wesley R. Campbell, FSA, MAAA, FCAS, issued the Company's actuarial opinion regarding loss reserves, LAE reserves, and other actuarial items for all years in the examination period. Mr. Campbell is employed by Apex Actuarial Solutions located in Weatherford, Texas.

Consulting Actuary

Pursuant to a contract with the Department, Kristine Fitzgerald, ACAS, MAAA, FCA of Actuarial & Technical Solutions, Inc., reviewed the underlying actuarial assumptions and methodologies used by Traders 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, 2019.

Information Systems

In conjunction with this examination, Kim Dobbs, CFE, AES, CISA, Information Systems Financial Examiner with the Department, conducted a review of the Company's information systems.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of Traders Insurance Company for the period ending December 31, 2019. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of the financial statements. The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the “Comments on Financial Statement Items.” 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 key activity.

ASSETS

As of December 31, 2019

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 53,887,869	\$ -	\$ 53,887,869
Cash, Cash Equivalents, and Short- Term Investments	28,172,741	-	28,172,741
Investment Income Due and Accrued Premiums and Considerations:	242,042	-	242,042
Deferred Premiums, Agents' Balances, and Installments Booked but Deferred and Not Yet Due	17,095,236	-	17,095,236
Accrued Retrospective Premiums			
Reinsurance:			
Amounts Recoverable from Reinsurers	1,505,998	-	1,505,998
Other Amounts Receivable Under Reinsurance Contracts	6,787	-	6,787
Net Deferred Tax Asset	1,025,475	-	1,025,475
Guaranty Funds Receivable or on Deposit	30,348	-	30,348
Aggregate Write-Ins for Other-Than- Invested Assets	108,625	63,390	45,235
TOTAL ASSETS	\$ 102,075,120	\$ 63,390	\$ 102,011,730

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2019

Losses	\$ 31,227,520
Loss Adjustment Expenses	7,089,934
Other Expenses	19,360
Taxes, Licenses, and Fees	199,671
Current Federal and Foreign Income Taxes	294,254
Unearned Premiums	18,772,724
Advance Premiums	24,161
Ceded Reinsurance Premiums Payable (Net of Ceding Commissions)	2,002,819
Funds Held by Company Under Reinsurance Treaties	3,169,478
Payable to Parent, Subsidiaries, and Affiliates	1,922,453
Aggregate Write-Ins for Liabilities	772,719
TOTAL LIABILITIES	\$ 65,495,094
Common Capital Stock	805,000
Preferred Capital Stock	400,000
Gross Paid In and Contributed Surplus	5,706,011
Unassigned Funds (Surplus)	29,605,625
TOTAL CAPITAL AND SURPLUS	\$ 36,516,636
TOTAL LIABILITIES AND SURPLUS	\$ 102,011,730

STATEMENT OF INCOME
For the Year Ended December 31, 2019

Premiums Earned	\$ 75,169,631
DEDUCTIONS:	
Losses Incurred	47,727,961
Loss Adjustment Expenses Incurred	8,066,354
Other Underwriting Expenses Incurred	17,927,975
Total Underwriting Deductions	<u>\$ 73,722,291</u>
Net Underwriting Gain (Loss)	\$ 1,447,341
Net Investment Income Earned	1,395,951
Net Realized Capital Gains	6,425
Net Investment Gain (Loss)	\$ 1,402,376
Finance and Service Charges Not Included in Premiums	6,647,908
Aggregate Write-Ins for Miscellaneous Income	16,785
Federal and Foreign Income Taxes Incurred	2,041,846
NET INCOME (LOSS)	<u>\$ 7,472,562</u>

RECONCILIATION OF CAPITAL AND SURPLUS
Changes from January 1, 2016 to December 31, 2019

(\$000s omitted)

	2016	2017	2018	2019
Capital and Surplus, Beginning of Year	\$ 19,306	\$ 22,933	\$ 25,801	\$ 31,683
Net Income (Loss)	3,563	3,842	6,509	7,473
Change in Net Deferred Income Tax	181	(416)	43	46
Change in Nonadmitted Assets	(116)	108	(2)	(19)
Change in Surplus Notes	-	(667)	(667)	(667)
Dividends to Stockholders	-	-	-	(2,000)
Net Change in Capital and Surplus	<u>\$ 3,628</u>	<u>\$ 2,867</u>	<u>\$ 5,883</u>	<u>\$ 4,833</u>
Capital and Surplus, End of Year	<u>\$ 22,933</u>	<u>\$ 25,801</u>	<u>\$ 31,683</u>	<u>\$ 36,517</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

In addition to disclosures made elsewhere in this report, including the 2020 dividends paid noted under the Dividends subsection and the change in officers and Directors and ownership of TGA outlined in the Corporate Governance section, on March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak as a pandemic. As of the date of this report, significant uncertainty remains regarding the effect that the pandemic will have on the economy and insurance industry at large, and on Traders Insurance Company specifically. The examination team considered the potential impact of COVID-19 on the Company throughout examination testing and procedures. At this point, it does not appear that COVID-19 has had a significant impact on the Company. The Department is monitoring the impact of the pandemic on the Company and will take necessary actions if a solvency concern arises.


ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Traders Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Kim Dobbs, CFE, AES, CISA, Alicia Galm, CFE, Anna Duncan, AFE, and Kim Waller, examiners for the Missouri Department of Commerce and Insurance, also participated in this examination.

VERIFICATION

State of Missouri)
) ss
County of Jackson)

I, Sara McNeely, 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 Traders 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.

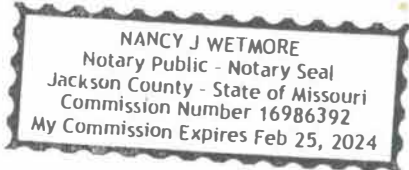


Sara McNeely, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 19th day of April, 2021.

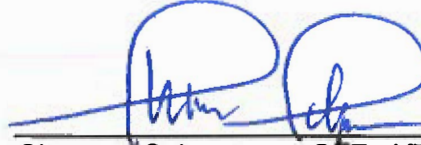
My commission expires: 2/25/24 

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, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.

A handwritten signature in blue ink, appearing to read 'Shannon Schmoeger', is written over a horizontal line.

Shannon Schmoeger, CFE, ARe
Chief Financial Examiner
Missouri Department of Commerce and
Insurance