



**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 Caterpillar Insurance Company for the period ended December 31, 2017, 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, financial statements, examination changes, comments on financial statements, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Caterpillar Insurance Company as of December 31, 2017 be and is hereby ADOPTED as filed and for Caterpillar 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 09<sup>th</sup> day of May, 2019.



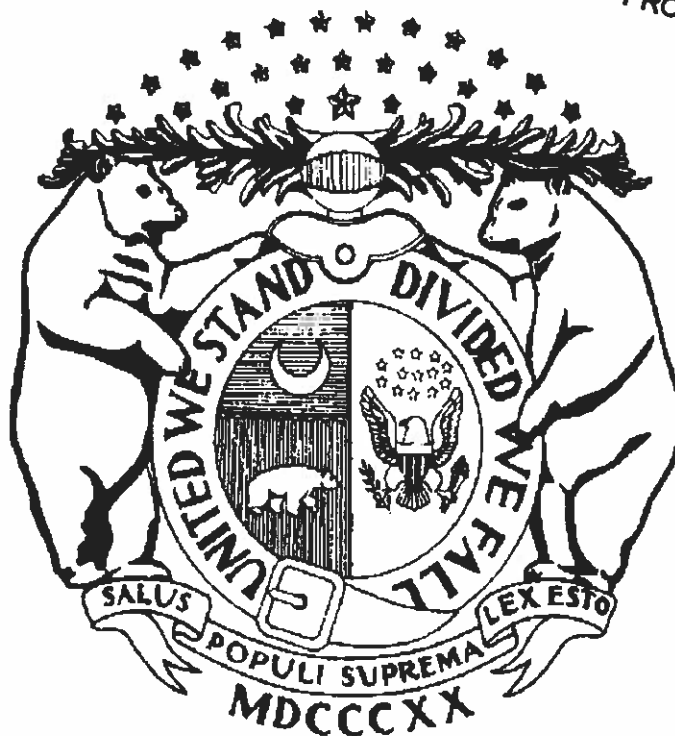
*Chlora Lindley-Myers*  
Chlora Lindley-Myers, Director  
Department of Insurance, Financial Institutions  
and Professional Registration

REPORT OF  
FINANCIAL EXAMINATION

**Caterpillar Insurance Company**

AS OF  
DECEMBER 31, 2017

**FILED**  
MAY 20 2019  
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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February 27, 2019  
Jefferson City, MO

Honorable Chlora Lindley-Myers, Director  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration  
301 West High Street, Room 530  
Jefferson City, Missouri 65102

Director Lindley-Myers:

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

**Caterpillar Insurance Company**

hereinafter referred to as “CIC”, or the “Company”. The Company's home office is located at 2120 West End Avenue, Nashville, Tennessee; telephone number (615) 341-8147. Examination fieldwork began on October 1, 2018, and concluded on the above date.

**SCOPE OF EXAMINATION**

**Period Covered**

The Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) has performed a full-scope examination of CIC. The last examination was completed as of December 31, 2013. This examination covers the period from January 1, 2014, through December 31, 2017. The examination of CIC was conducted concurrently with the examination of its affiliate, Caterpillar Life Insurance Company (CLIC).

This examination also included material transactions or events occurring subsequent to December 31, 2017.

**Procedures**

This examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook (Handbook)* except where practices, procedures and applicable regulations of the DIFP and statutes of the State of Missouri prevailed. The *Handbook* requires the planning and performance of the examination to evaluate the Company's 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.

## **Caterpillar – 12/31/2017 Exam**

All accounts and activities of the Company were considered in accordance with the risk-focused examination approach. This may include 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 will be documented separately following the Company's financial statements. The following key activities were identified during the examination: Investments, Premiums, Underwriting, Claims Handling, Reserving, Reinsurance, and Taxes.

The examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not communicated within the examination report but separately communicated to other regulators and/or the Company.

### **Reliance Upon Others**

The examination relied heavily upon information provided by the Company and its management. Where the examiners have deemed appropriate, this information has been tested or verified with external sources. The examiners also relied upon information supplied by the Company's independent auditor, PricewaterhouseCoopers, for its audit covering the period from January 1, 2017 through December 31, 2017.

## **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, 2017, through the date of this report.

## **COMPANY HISTORY**

### **General**

Caterpillar Insurance Company was formed when Caterpillar Insurance Holdings Inc., a Delaware insurance holding company and a wholly-owned subsidiary of Caterpillar, Inc. (CAT), acquired the shell of Integral Insurance Company on June 1, 2000, with approval from the DIFP. The name of the Company was changed to Caterpillar Insurance Company on June 5, 2000.

### **Capital and Surplus Contributions**

No capital or surplus contributions were received during the examination period.

**Dividends**

No dividends were paid by the Company during the examination period.

**Acquisitions, Mergers and Major Corporate Events**

There were no mergers or acquisitions 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’ meetings and committee 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**

**Board of Directors**

The management of the Company is vested in a Board of Directors, which per the Articles of Incorporation and resolution of the Board of Directors, is fixed at nine members. The Company’s nine Directors serving at December 31, 2017, were as follows:

<u>Directors</u>	<u>Address</u>	<u>Principal Occupation and Affiliation</u>
Brian N. Moore	Nashville, TN	Caterpillar Financial Services Corporation, Senior Managing Account Executive
Jeffrey D. Everett	Nashville, TN	Caterpillar Financial Services Corporation, Controller
Robert C. Thompson	Nashville, TN	CIC, Chairman and President
David T. Walton	Nashville, TN	Caterpillar Financial Services Corporation, President
Federico Folchi-Vici D’Arcevia	Geneva, Switzerland	Caterpillar Financial Services Corporation, Distribution Manager
Thomas P. Fischbach	Nashville, TN	Caterpillar Inc., Operations Manager
Larry K. Smith	Nashville, TN	Caterpillar Insurances Services Corporation, Actuary
Santiago Garcia	Nashville, TN	Caterpillar Inc., Senior Managing Account Executive
Lori L. Hazlehurst	Nashville, TN	Caterpillar Inc., Vice President, Compliance & Governance Manager

**Officers**

The officers of the Company serving and reported on the Jurat page of the Annual Statement at December 31, 2017, were as follows:

<u>Name</u>	<u>Position</u>
Robert C. Thompson *	Chairman and President
F. Maria Sheffield *	Vice President and Secretary
Jeffry D. Everett	Vice President and Treasurer
Lori L. Hazlehurst	Vice President, Compliance & Governance Manager
Brian Neal Moore	Vice President, Senior Managing Account Executive
Sally Ann Stiles	Assistant Treasurer, Chief Tax Officer
Federico Folchi-Vici-D'Arcevia	Vice President, International
Thomas P. Fischbach	Vice President, Distribution Manager
Larry K. Smith	Vice President, Actuary of Caterpillar Ins. Services Corp.
Santiago Garcia	Vice President, Industrial Engineer

\* Robert C. Thompson, Chairman and President of CIC and CLIC and President of Caterpillar Financial Insurance Services (a division of CAT), subsequently accepted the position of Vice President-Latin American Sales and Operations at Caterpillar Financial Services Corporation, a wholly-owned subsidiary of CAT. F. Maria Sheffield subsequently accepted the position of President for Caterpillar Financial Insurance Services, CIC, and CLIC, to replace Mr. Thompson. These changes were effective March 1, 2019.

**Committees**

In accordance with the Bylaws, the Board has established various committees with responsibility for managing the Company's affairs between meetings of the Board. Annually, the full Board reviews and approves the actions of the committees.

CIC has six Board committees including the Compliance Administration Committee (CAC), Compliance Administration Committee Swiss Branch (CACSB), Own Risk Solvency Assessment (ORSA), Investment, Reserve and Anti-Fraud. The Company also has two management committees: the Senior Leadership Council and the Pricing Committee.

The membership of the Board committees includes senior leadership, technical management personnel and employee specialists. These committees meet on an on-going and regular basis, and allow the Company to efficiently and effectively provide direction in specialized areas to make certain Company objectives are met.

## Caterpillar – 12/31/2017 Exam

The Board Committees and those serving on those committees at December 31, 2017, were as follows:

<u>CAC</u>	<u>CACSB</u>	<u>ORSA</u>
F. Maria Sheffield, Chair Thomas P. Fischbach Santiago Garcia Brian N. Moore Lee M. Warren Michele G. Abbott Lori L. Hazlehurst M. Todd Day Helen P. Neglia	F. Maria Sheffield, Chair Federico Folchi-Vici-D'Arcevia Lori L. Hazlehurst Stefanie Herminjard Marcia A. Ecker Anne Kamps M. Todd Day Heather B. Brown	F. Maria Sheffield, Chair Robert C. Thompson Jeffry D. Everett Federico Folchi-Vici-D'Arcevia Larry K. Smith Thomas P. Fischbach Lori L. Hazlehurst Marcia A. Ecker Anne Kamps M. Todd Day Heather B. Brown
<u>Reserve</u>	<u>Anti-Fraud</u>	<u>Investment</u>
Anne Kamps, Chair Robert C. Thompson Jeffry D. Everett Larry K. Smith Helen P. Neglia M. Todd Day	M. Todd Day, Chair F. Maria Sheffield Santiago Garcia Lori L. Hazlehurst Christopher S. Northrop Deborah Butler Danielle Lewis	James Cotton, Chair Robert C. Thompson Patrick T. McCartan Jeffry D. Everett F. Maria Sheffield David T. Walton

The Company does not have an audit committee. To comply with Section 375.1025(4) RSMo (Audit Committee), the Company relies on the Audit Committee of CAT, the ultimate parent. CAT's Audit Committee was comprised of four independent directors as of December 31, 2017.

### **Holding Company, Subsidiaries and Affiliates**

The Company is part of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). An Insurance Holding Company System Registration Statement (Form B) was filed by CIC for each year of the examination period. According to the 2017 Form B filing and as noted in the organization chart, the following entities comprise the holding company system:

- **Caterpillar, Inc. (CAT)** – The ultimate parent company is the world's largest manufacturer of construction and mining equipment, diesel and natural gas engines and industrial gas turbines. Caterpillar, Inc. is a publicly traded under the symbol of CAT on the New York Stock Exchange, with its worldwide headquarters in Peoria, Illinois.
- **Caterpillar Life Insurance Company (CLIC)** – CLIC is a fully licensed life and health insurance company that is domiciled in Missouri. CLIC reinsures CIC for the Stop Loss Insurance issued to a Missouri Voluntary Employee Benefit Trust that funds the Caterpillar Inc. Retiree Medical Plan liabilities.

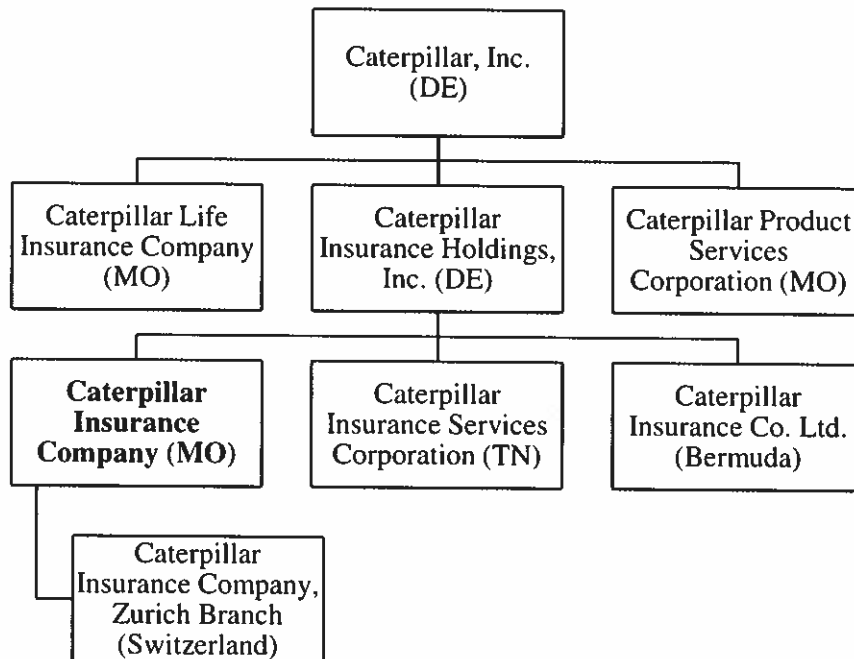


- **Caterpillar Insurance Holdings, Inc. (CIHI)** – a Delaware stock insurance holding company.
- **Caterpillar Product Services Corporation (CPSC)** – CPSC is a Missouri corporation that provided an extended warranty program in France and Germany. Effective January 1, 2013, the extended warranty program in France and Germany was moved to CICSB.
- **Caterpillar Insurance Company, Zurich Branch (CICSB)** – CICSB is licensed in Switzerland to write miscellaneous financial risk, which allows the Branch to insure the world-wide extended warranty/service contact obligations of Caterpillar S.A.R.L.
- **Caterpillar Insurance Services Corporation (CISC)** – CISC is a Tennessee corporation that has both property and casualty and life and health authorized insurance agents. CISC provides risk management services to the independent Caterpillar dealers as well as property and casualty coverage from major insurance carriers for workers compensation, general liability, accident and health, life, and cargo and property exposures. CISC also serves as the distribution network for contractual liability policies issued to dealers covering the dealer's extended service contracts and warranties.
- **Caterpillar Insurance Co. Ltd. (CICL)** – CICL is a Bermuda captive insurance company that insures Caterpillar Inc. and affiliates for general liability, property, auto liability and cargo. CICL provides reinsurance to CIC under a ninety-percent (90%) quota share reinsurance agreement for the contractual liability and contractors' equipment program in the United States.
- **Caterpillar S.A.R.L. (CSARL)** – CSARL is a corporation in Switzerland and wholly-owned subsidiary of CAT that manufactures and sells machines and engines to international Caterpillar dealerships.

Collectively, the operations of CIC, CICSB, CLIC, CICL, CPSC and CISC are referred to as Caterpillar Financial Insurance Services (CFIS).

### **Organizational Chart**

The following organizational chart depicts an abbreviated portion of the holding company system at December 31, 2017, including the Company. All subsidiaries shown are wholly-owned by Caterpillar, Inc. A complete list of all companies within the holding company system is included within the annual statement.



**Affiliated Transactions**

The Company’s agreements with related parties that were in effect as of December 31, 2017 and subsequent periods are outlined below.

**1) Management Agreement**

- Parties: CIC, CLIC, CICL, CPSC, CISC, CIHI, and CAT, are all receivers of services. Caterpillar Financial Services Corporation, CSARL, Caterpillar America C.V., and Caterpillar North America C.V., are all providers of services.
- Effective: January 1, 2009
- Terms: The providers of services provide various administrative, management and accounting services to the receivers of services.
- Rate(s): Fees charged under the agreement are equal to the cost incurred to render such services to the other parties.

**2) General Agency Agreement**

- Parties: CIC and CISC
- Effective: April 1, 2003. Amendments were approved on July 15, 2009 and September 10, 2009.
- Terms: CISC provides various general agency services to CIC.
- Rate(s): Fees related to this agreement are paid under the Management Agreement described above.

**3) Administrative Agreement – Singapore Program**

Parties: CIC and CSARL  
Effective: May 1, 2007  
Terms: CIC appoints CSARL as a program administrator. CSARL registers and administers extended warranty or service contract claims for equipment issued to customers of Caterpillar dealers in Singapore.  
Rates: Fees are charged at cost of providing service.

**4) Administrative Agreement - Canada Program**

Parties: CIC and CSARL  
Effective: November 1, 2008  
Terms: CIC appoints CSARL as a program administrator. CSARL registers and administers extended warranty or service contract claims for equipment issued to customers of Caterpillar dealers in Canada.  
Rates: Fees are charged at cost of providing service.

**5) Administrative Agreement – Europe, Africa, Mideast (EAME)**

Parties: CIC and CSARL  
Effective: January 1, 2007  
Terms: CIC appoints CSARL as a program administrator. CSARL registers and administers extended warranty or service contract claims for equipment issued to customers of Caterpillar dealers.  
Rates: Fees are charged at cost of providing service.

**6) Administrative Agreement - Japan**

Parties: CIC, CSARL, and Caterpillar Used Equipment Services, Inc. (CUESI)  
Effective: January 1, 2011  
Terms: CIC appoints CSARL as a program administrator to register and administer extended warranty or service contract claims for equipment issued in Japan.  
Rates: Fees are charged at cost of providing service.

**7) Administrative Agreement - Latin America Program**

Parties: CIC and CSARL  
Effective: November 1, 2008  
Terms: CIC appoints CSARL as a program administrator. CSARL registers and administers extended warranty or service contract claims for equipment issued to customers of Caterpillar dealers in Latin America.  
Rates: Fees are charged at cost of providing service.

**8) Administrative Agreement - (Partial Assignment)**

Parties: CIC, CSARL, and CUESI  
Effective: January 1, 2012  
Terms: This is a partial assignment of the Administrative Agreement between CIC and CSARL to CUESI. This allows CUESI to enroll used equipment under the CSARL Extended Warranty Program for the EAME Caterpillar dealerships.  
Rates: Fees are charged at cost of providing service.

**9) Administrative Agreement - Latin America Program (Partial Assignment)**

Parties: CIC, CSARL, and CUESI  
Effective: August 1, 2009, non-disapproved July 23, 2009  
Terms: This is a partial assignment of the Administrative Agreement - Latin America Program between CIC and CSARL to CUESI. This allows CUESI to enroll used equipment under the Caterpillar Americas C.V. Extended Warranty Program.  
Rates: Fees are charged at cost of providing service.

**10) Contractual Liability Insurance Policy (Europe, Africa and the Middle East)**

Parties: CIC and CSARL  
Effective: November 1, 2008  
Terms: CIC through its Switzerland branch provides reimbursement insurance to CSARL for extended warranty obligations incurred by CSARL under program agreements with Caterpillar dealerships in Europe, Africa and the Middle East.  
Rates: Equal to the rates for the underlying warranty coverages.

**11) Contractual Liability Insurance Policy (Latin America)**

Parties: CIC and CSARL  
Effective: November 1, 2008  
Terms: CIC through its Switzerland branch provides reimbursement insurance to CSARL for extended warranty obligations incurred by CSARL under program agreements with Caterpillar America C.V. (CAMCV) relating to program agreements between CAMCV and the Caterpillar dealerships in Latin America  
Rates: Equal to the rates for the underlying warranty coverages.

**12) Contractual Liability Insurance Policy (Canada)**

Parties: CIC and CSARL  
Effective: November 1, 2008  
Terms: CIC through its Switzerland branch provides reimbursement insurance to CSARL for extended warranty obligations incurred by CSARL under a Service Agreement with Caterpillar North America C.V. (CNAMCV) relating to program agreements between CNAMCV and the Caterpillar dealerships in Canada.  
Rates: Equal to the rates for the underlying warranty coverages.

**13) Tax Sharing Agreement**

Parties: CIC and CAT  
Effective: January 1, 2009  
Terms: The agreement applies to years ending December 31, 2008, and thereafter. CAT files consolidated federal income tax returns, and is responsible for making all payments when due and filing for and collecting any refunds due.  
Rates: The tax liability is calculated on a separate return basis.

**14) Sublease Agreement**

Parties: CIC and Caterpillar Financial Services Company (CFSC)  
Effective: January 1, 2010,  
Terms: CIC leases and occupies the ninth floor of 2120 West End Avenue, Nashville TN from CFSC until February 28, 2022.  
Rates: Rent for the space occupied is \$22,530 per month.

In addition to the above agreements, there are also quota-share reinsurance agreements between CIC and its other insurance affiliates. See the Reinsurance section of this report for additional details.

**TERRITORY AND PLAN OF OPERATIONS**

**General**

The Company is licensed in Missouri under Chapter 379 RSMo (Insurance other than life) to write accident and health, fidelity and surety, liability, miscellaneous, and property insurance. CIC is also licensed in an additional 49 states, the District of Columbia, and the territory of Guam.

The Company provides various forms of insurance to Caterpillar, Inc. customers and dealers to support the purchase or lease of Caterpillar, Inc. equipment.

**Domestic**

CIC issues contractual liability insurance to United States Caterpillar dealers for dealer-obligor extended warranty as well as certain Original Equipment Manufacturers. CIC also issues contractors' equipment policies to Caterpillar customers for physical damage insurance on heavy construction equipment in the United States. These policies are placed with CIC by CISC, a Tennessee agency licensed throughout the United States, or by licensed dealer employees.

Additionally, CIC issues a non-cancellable accident and health stop loss insurance policy to a Missouri Voluntary Benefit Association Trust for the Caterpillar, Inc. Retiree Medical Plan. This business is 100% ceded to CLIC.

**International**

On September 17, 2008, the Company opened a branch office in Zurich, Switzerland. The branch office was licensed in Switzerland under the name Caterpillar Insurance Company, Jefferson City, Zurich Branch. It is licensed to write miscellaneous financial risk, which allows the Branch to insure the worldwide-extended warranty/service contract obligations of CSARL, a corporation in Switzerland and wholly owned subsidiary of Caterpillar, Inc. that manufactures and sells machines and engines to international Caterpillar dealerships. In the United Kingdom, Australia and New Zealand, the Company is allowed to insure the Caterpillar dealerships for dealer extended warranty obligations and in Singapore, the Company is allowed to insure CSARL Singapore Branch without being licensed in these territories.

**REINSURANCE****General**

Premiums written by the Company during the examination period were as follows:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Direct Business	\$349,758,781	\$307,018,622	\$341,708,159	\$389,955,389
Reinsurance Assumed:				
Affiliates	0	0	0	0
Non-affiliates	0	0	0	0
Reinsurance Ceded:				
Affiliates	(144,774,491)	(164,260,829)	(160,759,452)	(177,355,014)
Non-affiliates	<u>(276,505)</u>	<u>(263,414)</u>	<u>(290,713)</u>	<u>(312,712)</u>
Net Premiums Written	<u>\$204,707,785</u>	<u>\$142,494,379</u>	<u>\$180,657,994</u>	<u>\$212,287,663</u>

**Assumed**

The Company had no assumed reinsurance arrangements during the examination period.

**Ceded****Affiliated Agreements**

*Retiree Medical* – The Company ceded 100% of its Retiree Medical Stop Loss liabilities to affiliate, Caterpillar Life Insurance Company, effective May 1, 2004. The agreement was effected with a one-time ceded premium of \$103,800,000. The underlying Retiree Medical Voluntary Benefit Program was terminated effective January 1, 2010 for all non-bargained employees and surviving spouses retiring on or after February 1991. As there will be no additional employees entered into the Program, there will be no new premium generated.

*Other Liability (Extended Warranty)* – The Company reinsures its core, “Other Liability” business in the U.S. with affiliate, Caterpillar Insurance Company, Ltd., of Bermuda. The Company cedes 90% of its US contractual liability insurance for claims under extended protection service contracts, with the exception of California, which cedes 50%, Florida 49%, and Wyoming 79%.

Unaffiliated Agreement

*Inland Marine* – The Company provides protection for the risk of physical damage to equipment manufactured by Caterpillar Inc., which is leased, rented, or sold under conditional sales agreements by third party dealers. Primarily, coverage under this policy is offered to dealers' customers under a "point-of-sale" program. The Company and its affiliate, CLIC, have per risk reinsurance of \$650,000 in excess of \$350,000 and property catastrophe reinsurance of \$1,000,000 in excess of \$1,000,000 with multiple unaffiliated reinsurers.

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.

**FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statement filed by the Company with the DIFP and present the financial condition of Caterpillar Insurance Company for the period ending December 31, 2017. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on Financial Statement Items." 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 Annual Statement item.

**ASSETS**  
as of December 31, 2017

	<u>Assets</u>	Non- Admitted <u>Assets</u>	Net Admitted <u>Assets</u>
Bonds	\$431,811,321	\$ 0	\$431,811,321
Common Stocks	181,979,257	0	181,979,257
Cash, Cash Equivalents and Short-Term Investments	101,637,243	6,729	101,630,514
Investment Income Due and Accrued	2,862,417	0	2,862,417
Uncollected Premiums and Agents' Balances	25,637,211	0	25,637,211
Amounts Recoverable from Reinsurers	17,029,647	0	17,029,647
Net Deferred Tax Asset	18,105,634	0	18,105,634
Guaranty Funds Receivable	12,748	0	12,748
Receivable from Parent, Sub., Affiliates	6,049,089	0	6,049,089
Aggregate Write-In Assets	<u>5,560,297</u>	<u>32,874</u>	<u>5,527,423</u>
<b>TOTAL ASSETS</b>	<b><u>\$790,684,864</u></b>	<b><u>\$39,603</u></b>	<b><u>\$790,645,261</u></b>



**LIABILITIES, SURPLUS AND OTHER FUNDS**  
as of December 31, 2017

Losses	\$ 20,508,115
Loss Adjustment Expenses	385,171
Other Expenses	730,695
Taxes, Licenses and Fees	3,214,405
Current Federal and Foreign Income Tax	20,875,962
Unearned Premium	345,142,143
Advance Premium	102,132
Ceded Reinsurance Premiums Payable	29,365,877
Remittances and Items Not Allocated	8,326,402
Payable to Parent, Subsidiaries and Affiliates	4,808,474
Payable for Securities	4,157,139
Aggregate Write-In Liabilities	<u>5,158,255</u>
<b>TOTAL LIABILITIES</b>	<b>\$442,774,770</b>
Common Capital Stock	3,500,000
Gross Paid in and Contributed Surplus	92,170,000
Unassigned Funds (Surplus)	<u>252,200,491</u>
Capital and Surplus	<b><u>\$347,870,491</u></b>
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b><u>\$790,645,261</u></b>

**STATEMENT OF INCOME**  
**For the Year Ended December 31, 2017**

<b>Premium Earned</b>	<b>\$ 174,035,398</b>
<b>DEDUCTIONS:</b>	
Losses Incurred	134,519,916
Loss Adjustment Expenses Incurred	1,617,600
Aggregate Write-Ins for Underwriting Deductions	3
Other Underwriting Expenses Incurred	<u>25,495,486</u>
<b>Total Underwriting Deductions</b>	<b>\$161,633,005</b>
<b>Net Underwriting Gain</b>	<b>\$ 12,402,393</b>
Net Investment Income Earned	11,283,002
Net Realized Capital Gains	<u>20,347,879</u>
<b>Net Investment Gain</b>	<b>\$ 31,630,881</b>
Other Income	195,082
Federal Income Taxes Incurred	<u>(11,887,955)</u>
<b>Net Income</b>	<b><u>\$ 32,340,401</u></b>

**RECONCILIATION OF SURPLUS**  
**Changes from January 1, 2014 to December 31, 2017**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Capital and Surplus, Beginning of Year	\$243,425,268	\$271,926,754	\$286,646,678	\$316,199,096
Net Income	31,461,528	49,048,780	18,884,685	32,340,401
Change in Net Unrealized Capital Gains (Losses)	9,114,312	(17,654,033)	720,978	(9,090,760)
Change in Net Unrealized Foreign Exchange Capital Gain (Loss)	(10,154,210)	(12,049,388)	8,414,416	17,041,929
Change in Net Deferred Income Tax	(1,896,183)	(4,638,330)	1,522,248	(8,595,145)
Change in Non-Admitted Assets	(23,961)	12,894	10,092	(25,030)
Change in Capital and Surplus for the Year	<u>28,501,486</u>	<u>14,719,923</u>	<u>29,552,419</u>	<u>31,671,395</u>
<b>Capital and Surplus, End of Year</b>	<b><u>\$271,926,754</u></b>	<b><u>\$286,646,678</u></b>	<b><u>\$316,199,096</u></b>	<b><u>\$347,870,491</u></b>

**EXAMINATION CHANGES**

None.

**COMMENTS ON FINANCIAL STATEMENTS**

None.

**SUMMARY OF RECOMMENDATIONS**

None.

**ACKNOWLEDGEMENT**

The assistance and cooperation extended by the officers and the employees of Caterpillar Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Brian Hammann, CPA, Anna Duncan, and Kim Dobbs, CFE, AES, examiners for the Missouri DIFP, participated in this examination. Jon W. Michelson, FCAS, MAAA, of Expert Actuarial Services, LLC, also participated as a consulting actuary.

**VERIFICATION**

State of Missouri            )  
  )  
County of Cole              )

I, Marc Peterson, 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 Caterpillar 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.

*Marc Peterson*  
\_\_\_\_\_  
Marc Peterson, CFE  
Examiner-In-Charge  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration

Sworn to and subscribed before me this 4<sup>th</sup> day of April, 2019.

My commission expires: March 30, 2023

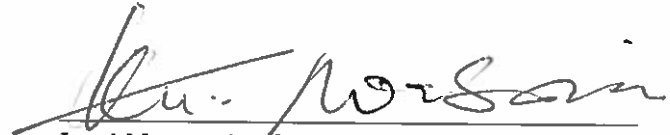
*Hailey Luebbert*  
\_\_\_\_\_  
Notary Public



HAILEY LUEBBERT  
My Commission Expires  
March 30, 2023  
Osage County  
Commission #15634366

**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 black ink, appearing to read "Levi Nwasoria", written over a horizontal line.

Levi Nwasoria, CPA, CFE

Audit Manager

Missouri Department of Insurance, Financial  
Institutions and Professional Registration