

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

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

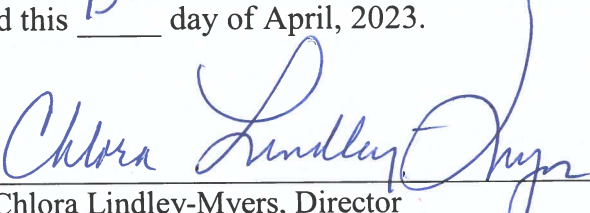
ORDER

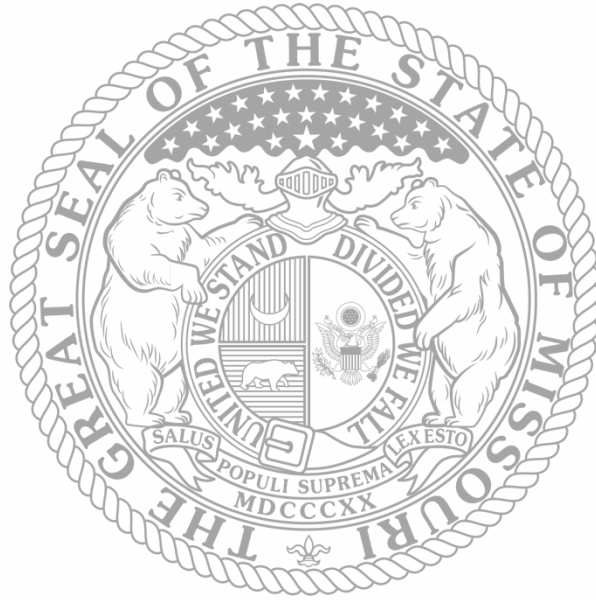
After full consideration and review of the report of the financial examination of AmShield Insurance Company for the period ended December 31, 2021, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri 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 AmShield Insurance Company as of December 31, 2021, be and is hereby ADOPTED as filed and for AmShield Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 19th day of April, 2023.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

AMSHIELD INSURANCE COMPANY

AS OF
DECEMBER 31, 2021

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Columbia, MO
January 31, 2023

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

AmShield Insurance Company (NAIC #15590)

hereinafter referred to as such, as AmShield, or as the Company. Its administrative office is located at 1817 West Broadway, Columbia, Missouri 65218, telephone number 573.445.8441. The fieldwork for this examination began on March 3, 2022, 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 AmShield. The last examination of the Company by the Department covered the period of May 13, 2014 through December 31, 2016. The current examination covers the period of January 1, 2017 through December 31, 2021, 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 AmShield included Investments, Premiums and Underwriting, Claims Handling and Reserving, Reinsurance, Related Parties, and Capital and Surplus. The examination also included a review and evaluation of information technology general controls.

The examination was conducted concurrently with the examinations of the Company's Missouri domiciled affiliates, Shelter Mutual Insurance Company (Shelter Mutual), Shelter General Insurance Company (Shelter General), Shelter Reinsurance Company (Shelter Re), Shelter Life Insurance Company (Shelter Life), and Haulers Insurance Company, Inc. (Haulers).

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

American Shield Insurance Company incorporated on May 13, 2014. On July 1, 2016, the Company changed its name to AmShield Insurance Company. The Company commenced operations on October 23, 2017.

Mergers, Acquisitions, and Major Corporate Events

There were no mergers, acquisitions or major corporate events during the current examination period.

Dividends and Capital Contributions

There were no dividends paid during the current examination period. On April 6, 2017, AmShield received a \$3 million capital contribution from parent, Shelter Mutual Insurance Company.

Surplus Notes

There were no surplus notes issued or outstanding during the current examination period.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board of Directors. The Board of Directors elected by Shelter Mutual's policyholders serves as AmShield's Board of Directors. The Company's Bylaws specify that there shall be nine Board members. The Board of Directors elected and serving as of December 31, 2021, was as follows:

Name and Address

Principal Occupation and Business Affiliation

Patricia Coffey Barrington, IL	Owner/CEO Cedibus, LLC
Rockne Corbin Columbia, MO	Executive Vice President Shelter Mutual Insurance Company
Stephen Erdel Columbia, MO	Chairman/CEO Boone County National Bank
H. Baker Kurrus Little Rock, AR	Attorney H. Baker Kurrus, PLLC
Rick Means Columbia, MO	Retired (President/CEO) Shelter Mutual Insurance Company
David Monday Naples, FL	Retired (Partner) PricewaterhouseCoopers, LLC
Madison Moore Columbia, MO	Retired (President/CEO) Shelter Mutual Insurance Company
Tonya Moore Brandon, MS	Executive Director of Leadership/Workforce Development University of Mississippi Medical Center
Randa Rawlins Columbia, MO	President/CEO Shelter Mutual Insurance Company

Senior Officers

The officers elected and serving, as of December 31, 2021, were as follows:

<u>Name</u>	<u>Office</u>
Randa Rawlins	President/CEO
Christina Workman	Vice President of Accounting/Treasurer
David VanDyke	General Counsel/Secretary
Paul LaRose	Executive Vice President/Assistant Secretary
Teresa Magruder	Executive Vice President
Rockne Corbin	Executive Vice President
Daniel Clapp	Executive Vice President
John Rooney	Vice President of Information Services
Frank Thompson	Vice President of Marketing
Shawn Ricks	Vice President of Claims
Todd Weyler	Vice President of Underwriting
Brian Waller	Vice President of Government Relations
Michael Hackman	Vice President of Investments
Jon Imhoff	Vice President of Internal Audit
Mark Stinson	Vice President of Alternate Channels
James Heavin	Assistant Treasurer

Principal Committees

The Company's Bylaws require the establishment of four standing committees: Audit, Investment, Corporate Governance and Executive & Compensation. All committee members are appointed by the Board of Directors.

Audit Committee

David Monday, Chair
H. Baker Kurrus
Patricia Coffey

Corporate Governance Committee

H. Baker Kurrus, Chair
Rick Means
Madison Moore
Tonya Moore
Randa Rawlins

Investment Committee

Rick Means, Chair
Madison Moore
Rockne Corbin
Stephen Erdel
Don McCubbin
Daniel Clapp
Teresa Magruder
Randa Rawlins

Executive & Compensation Committee

Rick Means, Chair
Patricia Coffey
Stephen Erdel
David Monday
Madison Moore
Randa Rawlins

Corporate Records

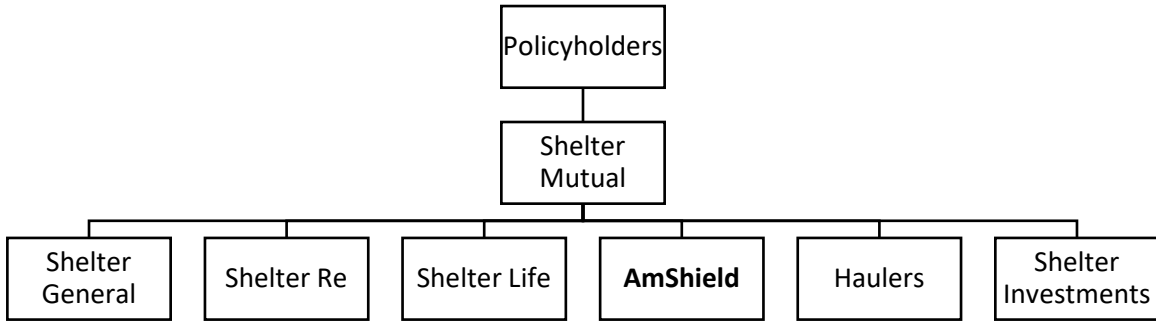
The Company's Articles of Incorporation and Bylaws were reviewed. The minutes of the stockholder's meetings, the Board of Directors' meetings and the meetings of the Audit, Executive & Compensation, Investment and Corporate Governance committees were reviewed for the period under examination.

Holding Company, Subsidiaries, and Affiliates

AmShield is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). AmShield's direct parent is Shelter Mutual Insurance Company, the ultimate controlling entity in the system. Shelter Mutual is owned by its policyholders.

Organizational Chart

The following organizational chart and narrative depict the applicable portion of the holding company group as of December 31, 2021. All subsidiaries shown in the organizational chart are wholly-owned. Subsidiaries not included in the organizational chart and their associated ownership percentages are as follows. The Daniel Boone Agency is jointly owned by Shelter Mutual (40%), Shelter General (40%) and Shelter Life (20%). Shelter Enterprises is jointly owned by Shelter Mutual (13.08%), Shelter General (39.11%), Shelter Life (39.11%) and Shelter Re (8.7%). Shelter Financial Services is jointly owned by Shelter Mutual (79%), Shelter General (11%) and Shelter Life (10%). Shelter Benefits Management is owned by Shelter Financial Services (100%).



Intercompany Transactions

The following agreements represent significant contracts executed with affiliated entities that were in effect as of December 31, 2021. A brief description of these agreements are as follows:

Management Services and Facilities Agreement: AmShield and Shelter Mutual are parties to the agreement effective September 30, 2014. Under the agreement, Shelter Mutual will provide employees, services and facilities to operate all aspects of AmShield. AmShield is required to make monthly payments to Shelter Mutual calculated in accordance with the Joint Expense Allocation Agreement between Shelter Mutual and its subsidiaries, including AmShield.

Joint Expense Allocation Agreement: A Joint Expense Allocation Agreement among affiliates was amended effective September 30, 2014, to add AmShield as party to the agreement. Under the terms of the agreement, each party pays its direct expenses in instances when each entity’s actual usage can be determined. Any joint expenses in which the identification and segregation of each entity’s actual share is not practically feasible will be allocated based on allocation method described in agreement.

Tax Allocation Agreement: A Tax Allocation Agreement between parent and several subsidiaries was amended September 30, 2014, to add AmShield as party to the agreement. Under the agreement, Shelter Mutual will file a consolidated federal income tax return on behalf of itself and its subsidiaries that are party to the agreement. The tax liability for each company is the amount that would have been determined on a separate filing basis.

Revolving Line of Credit Agreement: AmShield along with parent and several affiliates are parties to a Revolving Line of Credit Agreement effective May 19, 2017. Under the agreement, Shelter Mutual extends credit to allow each entity to borrow up to a stated amount with interest payable monthly based on the Federal Funds Rate plus 0.5%. As of December 31, 2021, AmShield’s borrowing limit was \$3 million and no balance was outstanding.

AmShield has a reinsurance agreement with Shelter Mutual, which is described in the Ceded Reinsurance section of the report.

TERRITORY AND PLAN OF OPERATION

AmShield’s role in the Shelter group is to provide coverage in western states that are not currently serviced by Shelter Mutual, through the use of an independent agency system.

In 2021, the Company wrote business in five of the ten states in which it was licensed. 80% of the Company's written premium was produced in Arizona in 2021. Eighteen percent of the Company's 2021 written premium was produced in Oregon. AmShield's major lines of business are private passenger auto liability, auto physical damage and homeowners insurance.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the premium writings and the loss experience of the business written by AmShield for the period under examination.

(\$000s omitted)

Year	Gross Premiums Written	Net Premiums Written	Direct Premiums Earned	Direct Losses Incurred	Direct Loss Ratio
2017	\$ 6	\$ 6	\$ -	\$ -	-
2018	1,043	642	401	422	105%
2019	6,104	2,627	3,477	4,342	125%
2020	13,317	3,388	9,929	12,135	122%
2021	22,478	4,479	17,999	20,547	114%

The Company has experienced rapid premium growth over the examination period with a direct loss ratio consistently above 100% on the business written. Premiums earned and losses incurred are fully ceded through a 100% quota share reinsurance agreement resulting in no underwriting gains or losses for the Company on a net basis.

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	2017	2018	2019	2020	2021
Direct Premiums Written	\$ 6	\$ 1,043	\$ 6,104	\$ 13,317	\$ 22,478
Reinsurance Ceded:					
Affiliates	0	393	3,431	9,822	17,783
Non-Affiliates	0	8	46	107	216
Net Premiums Written	\$ 6	\$ 642	\$ 2,627	\$ 3,388	\$ 4,479

Assumed Reinsurance

The Company did not assume any reinsurance during the period under examination.

Ceded Reinsurance

Under a quota share agreement that became effective January 1, 2018, the Company cedes 100% of earned premium, claims and expenses to Shelter Mutual.

Amshield cedes business through three programs: a property program with General Reinsurance Corporation (GenRe); a casualty program with GenRe; and a catastrophe program with various non-affiliates. The property program provides per risk facultative coverage; the casualty program provides excess-of-loss coverage; the catastrophe program provides excess-of-loss coverage. Shelter Mutual and Shelter General also participate in all three programs and Haulers participates in the catastrophe program only.

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, BKD, LLP, in Cincinnati, Ohio, performed the statutory audit of the Company for the years under examination. Reliance was placed upon the CPA work papers as deemed appropriate. Such reliance included, but was not limited to, fraud risk analysis, journal entry testing, internal control narratives, test of internal controls, and substantive testing.

Actuarial Opinion

The Company's actuarial opinion regarding loss reserves, loss adjustment expense (LAE) reserves, and other actuarial items was issued by Thomas P. Conway, ACAS, MAAA, for years 2021, 2020, and 2019 in the examination period. Mr. Conway is employed by Ernst & Young LLP in Chicago, Illinois. The Department approved requests by the Company for exemption from filing Statement of Actuarial Opinion for years 2018 and 2017.

Consulting Actuary

Pursuant to a contract with the Department, Jon W. Michelson, FCAS, MAAA of Expert Actuarial Services, LLC, reviewed the underlying actuarial assumptions and methodologies used by AmShield to determine the adequacy of loss reserves and LAE reserves. Mr. Michelson determined that the Company made a reasonable provision for the loss and LAE reserves reported in the statutory financial statements, as of December 31, 2021. Julie Lederer, FCAS, MAAA, the Department's Property and Casualty Actuary, reviewed the work performed by the consulting actuary.

Information Systems

Pursuant to a contract with the Department, Sharon Riley, AES, CGEIT, CISA, CRISC, CDPSE and Carol Riley, CISA, CGEIT, CDPSE, AIRC, FLMI, of Noble Consulting Services, Inc. (Noble), conducted a review of the Company's information systems. No material weaknesses were identified. Kimberly Dobbs, CFE, AES, CISA, Information Systems Financial Examiner-in-Charge with the Department, reviewed the work performed by Noble.

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 AmShield Insurance Company for the period ending December 31, 2021. 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 work papers for each individual key activity.

ASSETS

As of December 31, 2021

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 12,052,606	\$ 0	\$ 12,052,606
Cash, Cash Equivalents, and Short- Term Investments	(621,868)	0	(621,868)
Investment Income Due and Accrued	29,681	0	29,681
Premiums and Considerations:			
Deferred Premiums, Agents' Balances, and Installments Booked but Deferred and Not Yet Due	5,655,846	0	5,655,846
Reinsurance:			
Amounts Recoverable from Reinsurers	1,724,808	0	1,724,808
Other Amounts Receivable Under Reinsurance Contracts	686,866	0	686,866
Net Deferred Tax Asset	1,038,919	135,985	902,934
Guaranty Funds Receivable or on Deposit	200	0	200
Electronic Data Processing Equipment and Software	2,271,892	2,271,892	0
Furniture and Equipment, Including Health Care Delivery Assets	1,070	1,070	0
Receivables from Parent, Subsidiaries, and Affiliates	9,795	0	9,795
Aggregate Write-Ins for Other-Than- Invested Assets	324,234	231,116	93,118
TOTAL ASSETS	\$ 23,174,049	\$ 2,640,063	\$ 20,533,986

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2021

Losses	\$	0
Loss Adjustment Expenses		0
Commissions Payable, Contingent Commissions, and Other Similar Charges		294,791
Other Expenses		359,164
Taxes, Licenses, and Fees		235,253
Current Federal and Foreign Income Taxes		171,992
Unearned Premiums		11,142,070
Advance Premiums		185,772
Ceded Reinsurance Premiums Payable (Net of Ceding Commissions)		1,932,320
Amounts Withheld or Retained by Company for Account of Others		7,050
Remittances and Items Not Allocated		19,466
Payable to Parent, Subsidiaries, and Affiliates		37,246
Aggregate Write-Ins for Liabilities		17,909
TOTAL LIABILITIES	\$	14,403,033
Common Capital Stock		2,600,000
Gross Paid In and Contributed Surplus		6,650,000
Unassigned Funds (Surplus)		(3,119,047)
TOTAL CAPITAL AND SURPLUS	\$	6,130,953
TOTAL LIABILITIES AND SURPLUS	\$	20,533,986

STATEMENT OF INCOME
For the Year Ended December 31, 2021

Premiums Earned	\$	0
DEDUCTIONS:		
Losses Incurred		0
Loss Adjustment Expenses Incurred		0
Total Underwriting Deductions	<u>\$</u>	<u>0</u>
Net Underwriting Gain (Loss)	\$	0
Net Investment Income Earned		173,950
Net Realized Capital Gains		10,790
Net Investment Gain (Loss)	\$	184,740
Aggregate Write-Ins for Miscellaneous Income		9,813
Federal and Foreign Income Taxes Incurred		<u>46,210</u>
NET INCOME (LOSS)	\$	148,343

RECONCILIATION OF CAPITAL AND SURPLUS
Changes from January 1, 2017 to December 31, 2021

(\$000s omitted)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Capital and Surplus,					
Beginning of Year	\$ 3,893	\$ 5,656	\$ 6,274	\$ 6,970	\$ 6,498
Net Income (Loss)	(680)	364	76	(17)	148
Change in Net Unrealized Capital Gains (Losses)					
Less Capital Gains Tax	0	0	21	25	(36)
Change in Net Deferred Income Tax	(667)	65	32	341	160
Change in Nonadmitted Assets	111	188	567	(821)	(640)
Surplus Adjustments:					
Paid In	3,000	0	0	0	0
Net Change in Capital and Surplus	<u>1,763</u>	<u>618</u>	<u>696</u>	<u>(472)</u>	<u>(367)</u>
Capital and Surplus, End of Year	\$ 5,656	\$ 6,274	\$ 6,970	\$ 6,498	\$ 6,131

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

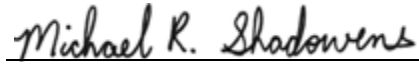
SUBSEQUENT EVENTS

The Company received a \$5 million capital contribution from Shelter Mutual in December 2022. The capital contribution represents approximately 82% of year-end 2021 surplus.

The COVID-19 pandemic is ongoing, with uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

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.



Michael R. Shadowens, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance