



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

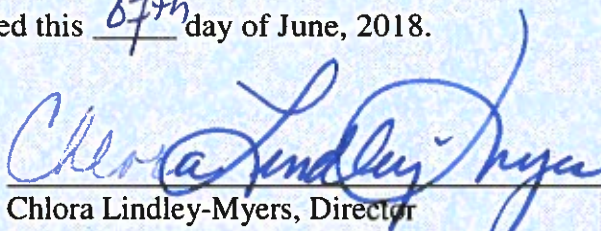
P.O. Box 690, Jefferson City, Mo. 65102-0690

ORDER

After full consideration and review of the report of the financial examination of Shelter Reinsurance 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 Reinsurance Company as of December 31, 2016 be and is hereby ADOPTED as filed and for Shelter Reinsurance 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.



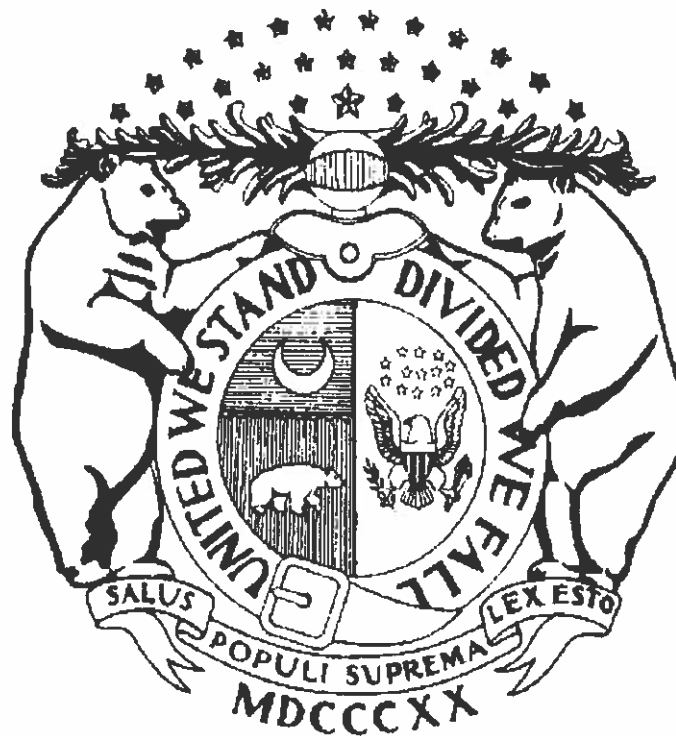
Chlora Lindley-Myers, Director
Department of Insurance, Financial Institutions
and Professional Registration



**REPORT OF THE
FINANCIAL EXAMINATION OF
SHELTER REINSURANCE 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 Reinsurance Company

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

The examinations of Shelter Re 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 Re was incorporated on October 6, 1986. It was issued a Certificate of Authority and commenced business on November 24, 1986. The Company operates as a stock property and casualty reinsurer under the insurance laws of Chapter 379 RSMo (Insurance Other Than Life).

Dividends and Capital Contributions

The Company did not pay any dividends to its sole shareholder, Shelter Mutual, during the examination period. Shelter Re received a \$50,000,000 capital contribution from Shelter Mutual in March 2013.

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 and Managing Director
Randa C. Rawlins ⁴	Senior Vice President, Secretary and General Counsel
Paul J. LaRose	Assistant Secretary
David N. Abbott	Vice President of Investments
Christina M. Workman	Vice President of Accounting, Assistant Treasurer

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

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

⁴ Ms. Rawlins was elected Executive Vice President, effective January 1, 2018.

Holding Company, Subsidiaries and Affiliates

The Company is a member of an Insurance Holding Company System as defined by Section 382.010, RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed on behalf of the Company by the parent, Shelter Mutual, for each year of the examination period.

Shelter Mutual is the ultimate controlling entity in a holding company system that includes six insurance companies and five non-insurance entities. Below is a brief synopsis of the business operations of Shelter Re'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 Life Insurance Company – A life insurer that primarily writes whole life, term life and universal life products. Shelter Life's business plan leverages the policyholders of Shelter Mutual to market life insurance policies in addition to existing auto and homeowners insurance policies.

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.

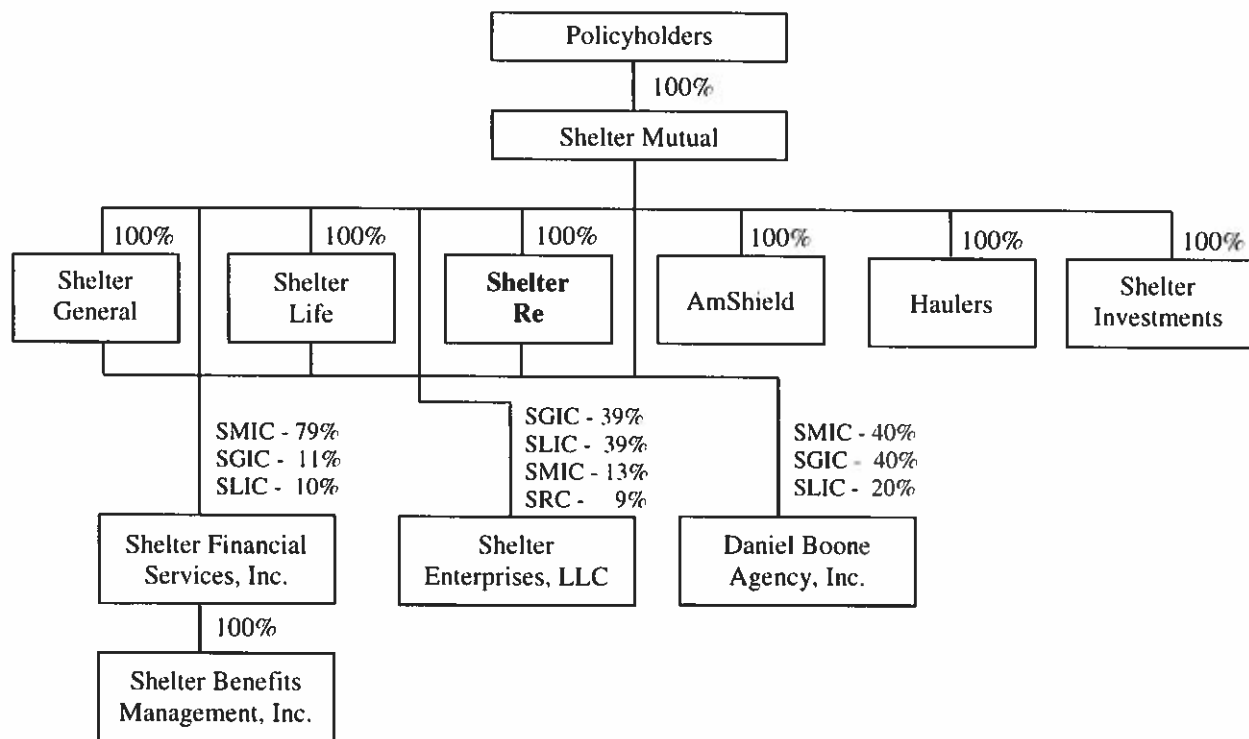
Shelter Benefits Management, Inc. (SBMI) – Manages various agent and employee services for Shelter Mutual employees. Services provided include human resource functions, payroll services, and benefits administration for the employees, agents, and retirees of Shelter Mutual.

Shelter Enterprises, LLC (Shelter Enterprises) – Owns real estate, property and equipment and derives its income from leasing the assets to affiliates, including Shelter Mutual, and other non-affiliated entities.

Daniel Boone Agency, Inc. (DBA) – An insurance broker that places risks from leads generated by agents of the Shelter Mutual. 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 Re 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 will provide the employees to operate all aspects of the Company. Services to be provided include recordkeeping, processing, planning, budgeting, receipt and disbursement activities, and all work incidental to the operation of the Shelter Re'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 Re.

- 2. Type:** Joint Expense Allocation Agreement

Affiliates: Shelter Mutual, Shelter General, Shelter Life, 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 26, 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 Re, Shelter Life, AmShield, Haulers, SFS, SBMI
- Effective:** No stated effective date. Applicable to 1999 and subsequent tax years. Haulers added by amendment effective June 30, 2008; AmShield added by amendment effective September 30, 2014
- Terms:** Shelter Mutual will file a consolidated federal income tax return on behalf of itself and its subsidiaries for the 1999 tax year and all subsequent tax years. The tax liability for each company will be the amount that would have been determined on a separate filing basis. The subsidiaries will pay their share of tax payments to Shelter Mutual within 10 days following any tax payments made by Shelter Mutual. Shelter Mutual will refund any amount due to the subsidiaries within 10 days after filing the consolidated return.
- 4. Type:** Revolving Line of Credit
- Affiliates:** Shelter General, Shelter Life, 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.

The Company also has reinsurance agreements with Shelter Mutual and Haulers that are described in the Reinsurance Assumed and Reinsurance Ceded sections of the report.

Shelter Mutual has also pledged assets as collateral on behalf of Shelter Re. As of December 31, 2016, \$1.2 million of assets were pledged as collateral for letters of credit issued by Shelter Re.

Intercompany Payments

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

Affiliate	Agreement / Transaction	Net Expense / (Revenue)			
		2013	2014	2015	2016
SMIC	Joint Expense Allocation	\$ 1,625,216	\$ 1,638,083	\$ 1,757,881	\$ 1,693,272
SBMI	Management Services	72,042	87,774	90,266	97,906
SMIC	Tax Allocation	12,817,473	11,536,799	11,525,101	13,778,624
SMIC	Capital Contribution	(50,000,000)	0	0	0
TOTAL		(\$35,485,269)	\$13,262,656	\$13,373,248	\$15,569,802

In addition, the Company purchased and sold investments with subsidiaries during the examination period, as follows:

- 2013 – Shelter Re purchased bonds from Shelter Investments at a total cost of \$5,286,566.
- 2016 – Shelter Re sold bonds to Shelter Mutual for a sales price of \$15,318,635. The Company also purchased common stock from Shelter Mutual at a total cost of \$13,103,036.

TERRITORY AND PLAN OF OPERATION

The Company is licensed for the business of property and casualty insurance in the State of Missouri under Chapter 379 RSMo. Shelter Re is an approved surplus lines insurer in California. The Company is licensed as a reinsurer in the following states: Iowa, Kansas, Maryland, Michigan, Minnesota, and Pennsylvania. The Company is a qualified reinsurer in North Dakota, South Dakota, Tennessee, and Wisconsin. In addition, the Company is either registered or licensed as a reinsurer in the Dominican Republic, Guatemala, India, Mexico, Netherlands, Panama, and Puerto Rico.

Shelter Re writes only a minor amount of direct business, which are earthquake policies sold in California only. The direct business is underwritten and managed exclusively by an agency – North Shore Management Associates, Inc. The Company is primarily a reinsurer with assumed business comprising 98% of 2016 total gross written premiums.

Approximately 42% of 2016 unaffiliated assumed premiums were fronted through the Company's parent, Shelter Mutual Insurance Company, which retrocedes all of its assumed reinsurance (excluding involuntary pools and associations) to Shelter Re. Shelter Mutual has historically fronted a segment of business for the Company in order to leverage the parent's stronger capitalization and brand name recognition. Shelter Mutual fronted business accounted for 81% of Shelter Re's U.S. business and 29% of Shelter Re's international business in 2016.

Shelter Re’s assumed business consists of property reinsurance risks acquired through both direct placement and reinsurance brokers. The Company’s book of business, as of March 2017, was comprised of 964 contracts with a combined 284 domestic and international insurers. Premiums assumed from U.S. ceding companies represented 25% of 2016 gross premiums. The 2016 premium volume from other significant geographical areas are as follows: Europe – 27%, Caribbean – 11%, United Kingdom – 8%, Israel – 8%.

Below is a summary of the major treaty types and the related premium volume in-force at the end of 2016:

<u>Treaty Type</u>	<u>Percent of U.S. Premium Volume</u>	<u>Percent of Non-U.S. Premium Volume</u>
Property Catastrophe	66%	27%
Property Quota Share	21%	68%
All Other	13%	5%
Total	100%	100%

Shelter Re’s assumed business in the United States is mainly from small to mid-size insurers. The Company had more than \$1 million in assumed premiums from only three U.S. ceding companies in 2016. The volume of premium from international ceding companies is much larger. Shelter Re had assumed premiums greater than \$1 million from 23 international insurers in 2016. Mapfre Re Compania de Reaseguros, SA (domiciled in Spain) is the largest ceding company for Shelter Re, accounting for \$20 million or 17% of total unaffiliated assumed premiums in 2016.

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	\$ 4,118,636	\$ 4,454,806	\$ 2,484,209	\$ 2,130,830
Assumed:				
Affiliates	45,254,917	42,911,520	43,899,955	49,797,476
Non-affiliates	57,750,131	62,353,838	63,358,782	66,697,985
Ceded:				
Affiliates	(9,122,740)	(6,292,770)	(5,599,330)	(5,592,773)
Non-affiliates	<u>0</u>	<u>0</u>	<u>(664,790)</u>	<u>0</u>
Net Premiums Written	<u>\$98,000,944</u>	<u>\$103,427,394</u>	<u>\$103,478,826</u>	<u>\$113,033,518</u>

Assumed

Shelter Re's portfolio of assumed business is summarized in the Territory and Plan of Operations section of this report. The Company does not have any pre-determined liability limits for a quota share, property catastrophe excess of loss, or other reinsurance agreement that may be underwritten. The Company performs catastrophe modeling to determine the probable maximum loss (PML) for each ceding company within each region of the world in which it operates. The PML for an individual reinsurance agreement must not exceed the risk tolerance for the total PML of the region. Shelter Re's current risk tolerances limit the PML for each region to a once in 250 year earthquake and a once in 100 year hurricane or windstorm.

The Company assumes property and casualty risks from an affiliate, Haulers, on a per risk excess of loss basis. Hauler's retention is \$200,000 per risk and losses up to \$1,800,000 in excess of the retention are ceded to Shelter Re under the terms of the agreement in effect for calendar year 2016.

Shelter Re also assumed property catastrophe risks from Haulers on an annual basis since 2009. Under the 2016 property catastrophe agreement, the Company assumes up to \$2,500,000 per occurrence, in excess of a \$500,000 retention for Haulers. This agreement expired on December 31, 2016 and was not renewed for 2017.

Ceded

Shelter Re's only reinsurer is the parent, Shelter Mutual. The Company has a property catastrophe reinsurance agreement, effective March 1, 2016 to February 28, 2017, with Shelter Mutual that covers a maximum loss of \$80,000,000 per occurrence, in excess of a \$55,000,000 retention for Shelter Re. The Company's maximum coverage is \$160,000,000 for all losses incurred in the treaty year. Shelter Re and Shelter Mutual executed a new property catastrophe reinsurance agreement, effective March 1, 2017 to February 28, 2018. The terms and coverage of the 2017-18 agreement are the same as the 2016-17 agreement with the exception that Shelter Re's retention was increased to \$60,000,000.

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 loss reserves, loss adjustment expense (LAE) reserves, and other actuarial items was issued by Thomas P. Conway, ACAS, MAAA, for all years in the examination period. Mr. Conway is employed by Ernst & Young, LLP, in Chicago, Illinois.

Consulting Actuary

Pursuant to a contract with the Missouri DIFP, Kristine M. Fitzgerald, ACAS, MAAA of Actuarial & Technical Solutions, Inc., reviewed the underlying actuarial assumptions and methodologies used by Shelter Re 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, 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 Reinsurance 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>	<u>Non-Admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$398,509,840	\$ 0	\$398,509,840
Common Stocks	12,750,360	0	12,750,360
Cash and Short-Term Investments	8,635,509	0	8,635,509
Other Invested Assets	699,440	0	699,440
Investment Income Due and Accrued	3,486,999	0	3,486,999
Uncollected Premiums & Agents' Balances	2,566,467	19,417	2,547,050
Deferred Premiums	0	0	0
Funds Held or Deposited with Reinsurers	18,944,443	1,023,824	17,920,619
Net Deferred Tax Asset	2,620,455	0	2,620,455
Furniture and Equipment	817	817	0
Receivable from Parent, Sub., Affiliates	80,875	0	80,875
Aggregate Write-In Asset	<u>459,678</u>	<u>408,920</u>	<u>50,758</u>
TOTAL ASSETS	<u>\$448,754,883</u>	<u>\$1,452,978</u>	<u>\$447,301,905</u>

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

Losses	\$ 94,321,005
Reinsurance Payable on Paid Losses and LAE	1,031,902
Loss Adjustment Expenses	160,718
Commissions Payable	34,833
Other Expenses	244,285
Taxes, Licenses and Fees	6
Federal Income Taxes Payable	1,476,734
Unearned Premium	21,451,934
Advance Premium	191,365
Ceded Reinsurance Premiums Payable	32,898
Remittances and Items Not Allocated	454,236
Payable to Parent, Subsidiaries and Affiliates	<u>1,116,105</u>
TOTAL LIABILITIES	\$120,516,021
Common Capital Stock	15,000,000
Gross Paid-In and Contributed Surplus	70,000,000
Unassigned Funds (Surplus)	<u>241,785,884</u>
CAPITAL AND SURPLUS	<u>\$326,785,884</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$447,301,905</u>

STATEMENT OF INCOME
For the Year Ended December 31, 2016

Premium Earned	\$113,891,649
DEDUCTIONS:	
Losses Incurred	49,637,199
Loss Adjustment Expenses Incurred	795,529
Other Underwriting Expenses Incurred	<u>30,706,273</u>
Total Underwriting Deductions	\$ 81,139,001
Net Underwriting Loss	\$ 32,752,648
Net Investment Income Earned	12,644,435
Net Realized Capital Gains	<u>725,705</u>
Net Investment Gain	\$ 13,370,140
Other Income	(868,442)
Dividends to Policyholders	0
Federal Income Taxes Incurred	<u>(13,040,966)</u>
NET INCOME	<u>\$ 32,213,380</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	\$165,164	\$245,429	\$271,002	\$296,679
Net Income	30,476	27,213	28,132	32,213
Change in Net Unrealized Capital Gains (Losses)	30	(120)	141	(14)
Change in Net Unrealized Foreign Exchange Capital Gains (Losses)	43	(1,484)	(1,795)	(880)
Change in Net Deferred Income Tax	(508)	(160)	(787)	(331)
Change in Non-Admitted Assets	224	124	(14)	(881)
Surplus Paid-In	<u>50,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in Capital and Surplus for the Year	<u>\$ 80,265</u>	<u>\$ 25,573</u>	<u>\$ 25,677</u>	<u>\$ 30,107</u>
Capital and Surplus, End of Current Year	<u>\$245,429</u>	<u>\$271,002</u>	<u>\$296,679</u>	<u>\$326,786</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 Reinsurance 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. Kristine Fitzgerald, ACAS, MAAA, of Actuarial & Technical Solutions, Inc., also participated as a consulting actuary.

VERIFICATION

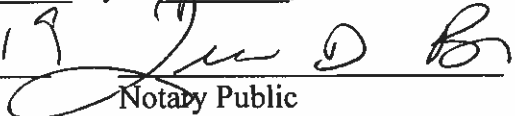
State of Missouri)
)
County of)

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 Reinsurance 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.

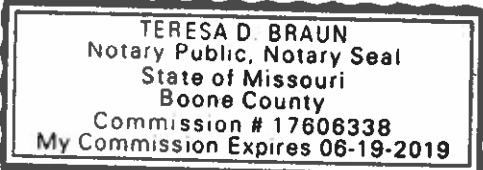


Tim L. Tunks, CPA, CFE
Examiner-In-Charge
Missouri DIFP

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

My commission expires: 6-19-19 

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