ORDER

After full consideration and review of the report of the financial examination of Vanliner Insurance Company for the period ended December 31, 2016, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, management and control, territory and plan of operation, reinsurance, financial statements, comments on financial statements, and general comments and/or recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Vanliner Insurance Company as of December 31, 2016 be and is hereby ADOPTED as filed and for Vanliner 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 09th day of September, 2018.

Chlora Lindley-Myers, Director
Department of Insurance, Financial Institutions and Professional Registration
REPORT OF THE
FINANCIAL EXAMINATION OF

VANLINER INSURANCE COMPANY

AS OF

DECEMBER 31, 2016

STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI
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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 association financial examination has been made of the records, affairs and financial condition of

Vanliner Insurance Company

hereinafter referred to as “Vanliner” or the “Company.” Its administrative office is located at One Premier Drive, Fenton, Missouri, 63026, telephone number (636) 660-9300. The examination began on January 16, 2018, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered  
We have performed a multi-state examination of Vanliner. The last examination was completed as of December 31, 2015. This examination covers the period of January 1, 2016, 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 NAIC, except where practices, procedures and applicable regulations of the 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.
Vanliner is ultimately owned 100% by American Financial Group, Inc. (AFG). This examination was coordinated with the concurrent examinations of 28 other insurers within AFG that were conducted by various state insurance departments. The Ohio Department of Insurance (ODI) was the lead state for the coordinated examinations. State insurance departments from California, Delaware, Florida, New York, and Texas also participated in the coordinated examinations for insurers domiciled in their respective states.

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, Related Party Transactions and Taxes.

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.

The examiners relied upon documentation and testing related to several key activities that was provided by the Company's independent auditor, Ernst & Young, LLP (E&Y), of Cleveland, Ohio, for its audit covering the period from January 1, 2016, through December 31, 2016.

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

The Company paid a $14,000,000 cash dividend to National Interstate Insurance Company in 2017. There were no other significant subsequent events noted from December 31, 2016 through the date of this report.
COMPANY HISTORY

General
Vanliner was originally incorporated as Great Southwest Fire Insurance Company under the laws of the State of Arizona on April 16, 1953 and commenced business on April 1, 1954. UniGroup, Inc. purchased 100% of the Company’s common stock on September 10, 1986 and the name was changed to the current Vanliner Insurance Company. Simultaneous with the purchase, UniGroup, Inc. contributed the ownership of Vanliner common stock to its wholly owned subsidiary, Vanliner Group, Inc. The Company redomiciled from Arizona to Missouri in 2005.

National Interstate Insurance Company (NIIC) purchased 100% of Vanliner Group, Inc. and its subsidiaries (including Vanliner), on July 1, 2010. Vanliner Group, Inc. was dissolved, effective July 30, 2013, and Vanliner became a direct subsidiary of NIIC. Employees of NIIC perform various administrative functions for Vanliner from the NIIC headquarters in Richfield, Ohio. Vanliner employees located in the St. Louis office perform underwriting, billing and collection, claims handling, and marketing functions.

Dividends and Capital Contributions
The Company did not make any dividend payments or receive any capital contributions during the examination period.

Mergers and Acquisitions
An upstream parent of Vanliner, Great American Insurance Company (GAIC), entered into an agreement to purchase 49% of the common stock of National Interstate Corporation on July 25, 2016. National Interstate Corporation (NIC) is the direct parent of NIIC. The transaction closed on November 10, 2016. This acquisition increased GAIC’s ownership of National Interstate Corporation from 51% to 100%.

GAIC transferred the ownership of NIC to AFG through a dividend on June 30, 2017. On that same date, AFG contributed its ownership of NIC to a subsidiary, Great American Holding, Inc.

CORPORATE RECORDS
A review was made of the Articles of Incorporation and Bylaws for the examination period. There were no amendments or restatements during the examination period.

The minutes of the Vanliner Board of Directors’ meetings, stockholder meetings, and AFG committee meetings were reviewed for proper approval of corporate transactions. In general, the minutes 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 are elected by the policyholders. The Company’s Bylaws specify that the Board of Directors shall consist of a minimum of nine and a maximum of twenty-five directors. The Board of Directors appointed and serving, as of December 31, 2016, were as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
<th>Principal Occupation and Business Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matthew J. Grimm</td>
<td>North Royalton, OH</td>
<td>President, Vanliner</td>
</tr>
<tr>
<td>Arthur J. Gonzales</td>
<td>Richfield, OH</td>
<td>Senior Vice President and General Counsel, NIC</td>
</tr>
<tr>
<td>Julie A. McGraw</td>
<td>Hinckley, OH</td>
<td>Vice President and Chief Financial Officer, NIC</td>
</tr>
<tr>
<td>Anthony J. Mercurio</td>
<td>Richfield, OH</td>
<td>President and Chief Executive Officer, NIC</td>
</tr>
<tr>
<td>David W. Michelson ¹</td>
<td>Hudson, OH</td>
<td>Retired (former President and CEO, NIC)</td>
</tr>
<tr>
<td>Gary N. Monda</td>
<td>Chagrin Falls, OH</td>
<td>Vice President and Chief Investment Officer, NIC</td>
</tr>
<tr>
<td>James A. Parks</td>
<td>Canton, OH</td>
<td>Vice President and Chief Underwriting Officer, NIC</td>
</tr>
<tr>
<td>Terry E. Phillips ²</td>
<td>Sagamore Hills, OH</td>
<td>Senior Vice President, NIC</td>
</tr>
<tr>
<td>Stephen E. Winborn</td>
<td>Hudson, OH</td>
<td>Vice President of Claims, NIC</td>
</tr>
</tbody>
</table>

¹ Resigned effective February 16, 2017 and replaced by George O. Skuggen
² Resigned effective May 15, 2017 and replaced by Scott E. Noerr

Committees

The Bylaws of Vanliner allow for the establishment of committees, but none were active during the examination period. However, the parent, American Financial Group, Inc. (AFG), has committees that review and approve transactions that are applicable to all insurers in the National Interstate Group, including Vanliner. The following committees of the AFG Board of Directors were active, as of December 31, 2016: Audit Committee, Compensation Committee, Corporate Governance Committee.
Officers

The officers elected by the Board of Directors and serving, as of December 31, 2016, were as follows:

<table>
<thead>
<tr>
<th>Officer</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matthew J. Grimm</td>
<td>President</td>
</tr>
<tr>
<td>Anthony J. Mercurio ³</td>
<td>Executive Vice President</td>
</tr>
<tr>
<td>Arthur J. Gonzales</td>
<td>Senior Vice President, General Counsel and Secretary</td>
</tr>
<tr>
<td>Julie A. McGraw</td>
<td>Vice President, Chief Financial Officer and Treasurer</td>
</tr>
<tr>
<td>Gary N. Monda</td>
<td>Vice President, Chief Investment Officer and Asst. Treasurer</td>
</tr>
<tr>
<td>Stephen E. Winborn</td>
<td>Vice President</td>
</tr>
<tr>
<td>Anthony D. Brown</td>
<td>Vice President of Human Resources</td>
</tr>
<tr>
<td>Scott E. Noerr</td>
<td>Vice President and Chief Information Officer</td>
</tr>
<tr>
<td>Keith R. Boyle</td>
<td>Assistant Vice President</td>
</tr>
<tr>
<td>Michael D. Lucas</td>
<td>Assistant Vice President</td>
</tr>
<tr>
<td>Colleen F. Shepherd</td>
<td>Assistant Vice President</td>
</tr>
</tbody>
</table>

³ Resigned effective March 1, 2017

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 by the parent, Great American Insurance Company, on behalf of Vanliner and affiliated insurers for only year (2016) of the examination period.

Vanliner is included in the National Interstate Group (Group) that includes the following other insurance companies: National Interstate Insurance Company, National Interstate Insurance Company of Hawaii (NIIC-Hawaii), and Triumph Casualty Company (TCC). The Group is a subgroup within American Financial Group, Inc. AFG is a publicly traded company and the ultimate controlling entity of Vanliner. AFG’s insurance operations include an Annuity Group and a Property and Casualty Group, which includes the National Interstate Group.

Below is a description of insurers and other entities within AFG that have significant transactions with Vanliner:

- **Great American Insurance Company** – An Ohio domiciled insurer that owns approximately 30 property and casualty insurance companies, including the four insurers in National Interstate Group.

- **National Interstate Corporation** – A holding company for National Interstate Group. This entity was a publicly traded company until it became a 100% subsidiary of GAIC in November 2016, as explained in the Mergers and Acquisitions section of this report.
• **National Interstate Insurance Company** – NIIC is an Ohio domiciled insurer that directly owns 100% of Vanliner. NIIC specializes in insurance for various transportation related industries.

• **Hudson Indemnity, Ltd** – A Cayman Islands reinsurer that is utilized for Vanliner and NIIC policyholders that participate in a captive insurance program.

• **American Money Management Corporation (AMMC)** – A subsidiary of AFG that manages the investment portfolio of Vanliner and other AFG insurers.

**Organizational Chart**

Below is the organizational chart of Vanliner’s parent companies and select affiliates, as of December 31, 2016.

# Effective June 30, 2017, Great American Holding, Inc. replaced GAIC as the 100% parent of NIC through capital contribution and dividend transactions with AFG.
**Intercompany Agreements**

The Company’s intercompany agreements that were in effect, as of December 31, 2016, and subsequent periods are outlined below.

1. **Type:** Amended and Restated Cost Sharing Agreement  
   **Affiliates:** American Financial Group, Inc. and various other affiliates  
   **Effective:** January 1, 2017  
   **Terms:** The following services are performed between the participating parties to the agreement: printing, copying, telecommunications, purchasing, personnel, data processing, administrative, legal, financial, and other services. Each party receiving services pays the party providing services on a cost basis. Allocations of costs are based upon current statutory accounting practices and procedures. Statements of services provided are to be provided on at least a quarterly basis and payments are due within 30 days of the date of the statements.

2. **Type:** Tax Allocation Agreement  
   **Affiliates:** American Financial Group, Inc. and various other affiliates  
   **Effective:** December 31, 2005 (Vanliner added as a party on November 11, 2016)  
   **Terms:** AFG files a consolidated federal income tax return on behalf of itself and its subsidiaries. The tax liability for each affiliate shall be the ratio that each entity’s taxable income bears to the consolidated taxable income of the group. The subsidiaries will pay their share of estimated tax payments to AFG within 3 days prior to the date that the consolidated payment is due to the Internal Revenue Service. AFG will refund any amounts due to the subsidiaries within 3 days after the refund is received or will apply a credit towards the next tax payment.

3. **Type:** Claims Services Agreement  
   **Affiliate:** Great American Insurance Company  
   **Effective:** January 6, 2014  
   **Terms:** GAIC provides claims adjusting and settlement services for Vanliner’s physical damage claims for policies involving long haul trucks and trailers. GAIC has authority to authorize repairs for any claims of $35,000 or less. GAIC provides reserve recommendations for each claim and provides a monthly report of claims activity. The Company pays fixed fees to GAIC for each tractor and trailer involved in a claim.
4. Type: Investment Management Agreement  
Affiliates: American Money Management Corporation, NIIC, NIIC-Hawaii, TCC  
Effective: October 1, 2012  
Terms: AMMC is the appointed investment manager for Group and provides investment advisory and management services. AMMC executes securities purchases and sales that must be in compliance with the limitations and instructions set forth in Schedule B of the agreement. Each insurer in the Group pays AMMC quarterly fees based upon an annual rate 0.15% of the value of the portfolio balances under management.

5. Type: Amended and Restated Pooling Agreement  
Affiliates: NIIC, NIIC-Hawaii, TCC  
Effective: January 1, 2011  
Terms: Vanliner, NIIC-Hawaii and TCC cede 100% of direct and assumed written premiums and 100% of incurred direct and assumed losses and loss adjustment expenses (LAE) to NIIC. Premiums and losses ceded to external reinsurers are deducted before determining the amounts ceded to NIIC. The net premiums written and net losses and LAE incurred by NIIC are combined with the business assumed from Vanliner, NIIC-Hawaii and TCC to determine the net pooled business for the Group. NIIC retrocedes the pooled premiums, losses and LAE to each entity based upon the following percentages: Vanliner – 26%, NIIC-Hawaii – 2%, TCC – 2%. NIIC retains the remaining 70% of pooled business. NIIC provides quarterly reports that show all pooling transactions.

6. Type: Management Agreement  
Affiliate: National Interstate Insurance Company  
Effective: July 1, 2010  
Terms: NIIC provides the following services for Vanliner: premium billing and collection, employee benefits, reinsurance management, agency appointments and terminations, commission payments, financial reporting, accounting, income taxes, actuarial, data processing, and other services. Vanliner reimburses NIIC on a quarterly basis for the direct and allocated expenses incurred (actual cost basis) in the provision of services.
7. Type: Reinsurance Allocation Agreement  
Affiliates: NIIC, NIIC-Hawaii, TCC  
Effective: July 1, 2010  
Terms: This agreement is applicable to joint reinsurance agreements involving two or more insurers of the Group. Reinsurance premiums from joint agreements are allocated to each insurer based upon the proportionate share of each insurer's premium to the total premiums subject to the reinsurance agreement. Reinsurance recoveries are allocated based upon the proportion that each insurer's loss bears to the total loss for each occurrence.

8. Type: Cost Sharing Agreement  
Affiliate: NIIC, NIIC-Hawaii, TCC, and various other affiliates  
Effective: September 8, 2003 (Vanliner added as a party on July 1, 2010)  
[Replaced by the Amended and Restated Cost Sharing Agreement, effective January 1, 2017, as described above.]  
Terms: The following services are performed between the participating parties to the agreement: printing, copying, telecommunications, purchasing, personnel, data processing, administrative, and other services. Each party receiving services pays the party providing services on a cost basis. Allocations of costs are based upon current statutory accounting practices and procedures. Statements of services provided are to be provided on at least a quarterly basis and payments are due within 30 days of the date of the statements.

9. Type: Cash Management Agreement  
Affiliates: National Interstate Corporation, NIIC, NIIC-Hawaii, TCC, and various other affiliates  
Effective: September 1, 2000 (Vanliner added as a party on July 1, 2010)  
Terms: NIIC serves as the manager of a cashier account in which the other parties to the agreement may deposit funds. Each party has a separate receivable account from NIIC that represents the amount of each party’s funds in the cashier account. NIIC provides monthly statements that will show the activity in each party’s receivable account. Balances in the receivable accounts are settled within 30 to 60 days after the end of each quarter.

10. Type: Agency Agreement  
Affiliate: TransProtection Service Company (TSC)  
Effective: January 1, 1987  
Terms: TSC is an agent for Vanliner that accepts proposals and issues contracts of insurance for the lines of business specified in the Addendum to the agreement. Vanliner pays TSC a commission equal to 5.5% of the net premiums received.
In addition, the Company has several reinsurance agreements with Hudson Indemnity Limited for policyholders that use a captive insurance program. A separate agreement is executed for each captive insurance entity that is established, which are described in the Reinsurance (Ceded) section of this report.

**Intercompany Payments**

The following table summarizes the fees paid during the examination period, between Vanliner and affiliates, pursuant to intercompany agreements that involve services provided.

<table>
<thead>
<tr>
<th>Affiliate</th>
<th>Agreement</th>
<th>Net Fees Paid in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAIC</td>
<td>Claims Services</td>
<td>$27,777</td>
</tr>
<tr>
<td>AMMC</td>
<td>Investment Management</td>
<td>335,650</td>
</tr>
<tr>
<td>NIIC</td>
<td>Management</td>
<td>3,120,071</td>
</tr>
<tr>
<td>NIIC</td>
<td>Cost Sharing</td>
<td>812,657</td>
</tr>
<tr>
<td>TSC</td>
<td>Agency</td>
<td>1,925,771</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$6,221,926</strong></td>
</tr>
</tbody>
</table>

The Company also had investment transactions with NIIC to acquire and sell bonds in the examination period. The net consideration received by Vanliner for all transactions was $8,944,576 in 2016.

**TERRITORY AND PLAN OF OPERATION**

Vanliner is licensed as a property and casualty insurer by the Missouri DIFP under Chapter 379 RSMo (Insurance Other than Life). Vanliner is licensed and writes business in all 50 states plus the District of Columbia. The five states with the largest percentage of direct written business in 2016 were as follows: California – 12.6%, Missouri – 9.8%, Illinois – 8.1%, Florida – 6.4%, New Jersey – 6.2%. NIIC is also licensed and writes business in all 50 states. The percentage of 2016 direct written premiums produced by each insurer of the Group was as follows: Vanliner – 30%, NIIC – 62%, TCC – 4%, NIIC-Hawaii – 4%.

The Company has a niche business plan with products specializing in the moving and storage industry, home delivery transportation, and commercial fleets. Vanliner’s operations compliment the transportation related industries that are marketed by the parent, NIIC, and the two smaller insurers in the Group. NIIC products include the following transportation industries: trucking, petroleum transportation, refuse collection, ambulances, commercial and tour buses, school buses, tow trucks, and heavy construction vehicles.
Vanliner and NIIC also have an Alternative Risk Transportation (ART) program, which are policies designed as captive insurance for large policyholders. The policyholders in the ART program retain a specified amount of losses, which can range from as low as $50,000 per occurrence. ART policyholders also share in the profits that result from their own risks. The affiliate, Hudson Indemnity, Ltd., is the reinsurer utilized to facilitate the captive arrangement for most ART policies.

The Company assumes 26% of all business written by the Group, pursuant to the Amended and Restated Pooling Agreement. The major lines of business for Vanliner and the pooled Group, based upon 2016 written premiums, are listed in the table below:

<table>
<thead>
<tr>
<th>Line of Business</th>
<th>Vanliner 2016</th>
<th>Direct % of Total</th>
<th>Group 2016</th>
<th>Group % of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers’ Compensation</td>
<td>$129,021,896</td>
<td>62.1%</td>
<td>$256,840,546</td>
<td>36.5%</td>
</tr>
<tr>
<td>Commercial Auto Liability</td>
<td>41,466,647</td>
<td>20.0%</td>
<td>275,824,165</td>
<td>39.2%</td>
</tr>
<tr>
<td>Other Liability - Occurrence</td>
<td>18,149,010</td>
<td>8.7%</td>
<td>61,532,460</td>
<td>8.7%</td>
</tr>
<tr>
<td>Auto Physical Damage</td>
<td>13,116,218</td>
<td>6.3%</td>
<td>86,119,764</td>
<td>12.2%</td>
</tr>
<tr>
<td>All Other</td>
<td>6,076,573</td>
<td>2.9%</td>
<td>23,394,979</td>
<td>3.3%</td>
</tr>
<tr>
<td>Total</td>
<td>$207,830,344</td>
<td>100.0%</td>
<td>$703,711,914</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

The Group exclusively uses independent agents to produce business. There were 137 agencies that had direct written premium for Vanliner in 2016. The affiliate, TransProtection Service Company, was the largest agency for Vanliner in 2016, accounting for 22% of total direct business. The largest non-affiliated agency produced 12% of the Company’s direct written 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:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Business</td>
<td>$152,078,077</td>
</tr>
<tr>
<td>Assumed – Affiliates</td>
<td>109,679,350</td>
</tr>
<tr>
<td>Assumed – Non-affiliates</td>
<td>4,655,626</td>
</tr>
<tr>
<td>Ceded – Affiliates</td>
<td>(139,905,376)</td>
</tr>
<tr>
<td>Ceded – Non-affiliates</td>
<td>(16,828,326)</td>
</tr>
<tr>
<td>Net Premiums Written</td>
<td>$109,679,351</td>
</tr>
</tbody>
</table>
**Assumed**

The Company is included in an Amended and Restated Pooling Agreement with NIIC, NIIC-Hawaii, and TCC, which is described in the Intercompany Agreements section of this report. This Agreement accounted for all assumed business from affiliates during the examination period.

Vanliner's non-affiliated assumed business is exclusively from involuntary pools and associations.

**Ceded**

The Company cedes 100% of net premiums, losses and LAE to NIIC, pursuant to the Amended and Restated Pooling Agreement.

The reinsurance program with external reinsurers involves a combination of agreements that cover (1) pooled risks for all four insurers in the National Insurance Group (Vanliner, NIIC, NIIC-Hawaii, and TCC), (2) risks for the Group excluding Vanliner, and (3) risks for Vanliner direct policies only. The allocation of premiums and losses between affiliated insurers for joint reinsurance agreements are determined by the Reinsurance Allocation Agreement, which is described in the Intercompany Agreements section of this report.

Coverage provided from significant external reinsurance agreements for Group pooled risks, as of January 2018, are summarized below:

<table>
<thead>
<tr>
<th>Risks</th>
<th>Retention</th>
<th>Reinsurance Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property</td>
<td>$100,000</td>
<td>$15,000,000</td>
</tr>
<tr>
<td>Property Catastrophe</td>
<td>500,000</td>
<td>20,000,000</td>
</tr>
<tr>
<td>Commercial Auto Liability – Primary</td>
<td>500,000</td>
<td>500,000 *</td>
</tr>
<tr>
<td>Commercial Auto Liability – Excess</td>
<td>1,000,000</td>
<td>6,000,000 *</td>
</tr>
<tr>
<td>Workers' Compensation</td>
<td>250,000</td>
<td>55,000,000</td>
</tr>
<tr>
<td>Casualty Clash</td>
<td>2,000,000</td>
<td>20,000,000</td>
</tr>
</tbody>
</table>

^ NIIC, NIIC-Hawaii and TCC only
* 60% quota share in primary layer; 90% quota share in excess layer

The Company has a reinsurance agreement applicable to Vanliner cargo risks only that reinsures 100% of losses up to $60 million per risk in excess of a $500,000 retention per occurrence. Another agreement applicable only to Vanliner policies provides umbrella liability coverage. The agreement provides quota share reinsurance for 95% of liability losses up to $5 million per occurrence. The agreement also reinsurance 100% of losses up to $5 million per occurrence in excess of the $5 million quota share layer.
The largest external reinsurer (in regards to ceded reserves) for Vanliner direct risks was General Reinsurance Corporation, which accounted for 45% of non-affiliated ceded reserves, as of December 31, 2016. The largest external reinsurers for the pooled risks of NIIC were Swiss Reinsurance America Corporation and Maiden Reinsurance Company, which accounted for 28% and 14%, respectively, of non-affiliated ceded reserves, as of December 31, 2016.

The Company has several reinsurance agreements with the affiliate, Hudson Indemnity Ltd. (Hudson), pertaining to captive reinsurance arrangements for the ART product. Vanliner cedes losses to Hudson up to the level of each policyholder’s retention layer, which are specified in each captive reinsurance agreement. Vanliner had 19 active captive reinsurance agreements with Hudson that represented total ceded premium of $20 million in 2016. The Company withholds funds from Hudson, an unauthorized reinsurer, as collateral for ceded loss reserves.

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 statements filed by the Company with the Missouri DIFP and present the financial condition of Vanliner Insurance Company for the period ending December 31, 2016. The accompanying “Comments on Financial Statements” section reflect 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 Statements” section. These differences were determined to be immaterial in relation to 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

<table>
<thead>
<tr>
<th>Description</th>
<th>Non-Admitted Assets</th>
<th>Net Admitted Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$211,705,207</td>
<td>$211,705,207</td>
</tr>
<tr>
<td>Preferred Stocks</td>
<td>0</td>
<td>13,485,702</td>
</tr>
<tr>
<td>Common Stocks</td>
<td>0</td>
<td>13,434,881</td>
</tr>
<tr>
<td>Cash and Short-Term Investments</td>
<td>0</td>
<td>22,793,906</td>
</tr>
<tr>
<td>Other Invested Assets</td>
<td>0</td>
<td>18,547,159</td>
</tr>
<tr>
<td>Investment Income Due and Accrued</td>
<td>1,972,050</td>
<td>1,972,050</td>
</tr>
<tr>
<td>Uncollected Premiums and Agents’ Balances</td>
<td>246,869</td>
<td>15,545,894</td>
</tr>
<tr>
<td>Deferred Premiums</td>
<td>0</td>
<td>74,167,900</td>
</tr>
<tr>
<td>Accrued Retrospective Premiums</td>
<td>903,328</td>
<td>14,147,624</td>
</tr>
<tr>
<td>Amounts Recoverable from Reinsurers</td>
<td>0</td>
<td>5,314,261</td>
</tr>
<tr>
<td>Funds Held By Reinsured Companies</td>
<td>0</td>
<td>1,778,079</td>
</tr>
<tr>
<td>Net Deferred Tax Asset</td>
<td>0</td>
<td>8,284,729</td>
</tr>
<tr>
<td>EDP Equipment and Software</td>
<td>0</td>
<td>124,604</td>
</tr>
<tr>
<td>Furniture and Equipment</td>
<td>34,822</td>
<td>0</td>
</tr>
<tr>
<td>Receivables from Parent, Sub., Affiliates</td>
<td>0</td>
<td>2,995,228</td>
</tr>
<tr>
<td>Aggregate Write-In Assets</td>
<td>39,169</td>
<td>1,701,215</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$407,222,627</td>
<td>$1,224,188</td>
</tr>
</tbody>
</table>
# LIABILITIES, SURPLUS AND OTHER FUNDS
## as of December 31, 2016

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Losses</td>
<td>$132,256,487</td>
</tr>
<tr>
<td>Loss Adjustment Expenses</td>
<td>25,703,141</td>
</tr>
<tr>
<td>Commissions Payable</td>
<td>3,692,530</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>5,020,318</td>
</tr>
<tr>
<td>Taxes, Licenses and Fees</td>
<td>1,349,327</td>
</tr>
<tr>
<td>Federal Income Taxes Payable</td>
<td>2,952,368</td>
</tr>
<tr>
<td>Unearned Premiums</td>
<td>53,423,554</td>
</tr>
<tr>
<td>Advance Premium</td>
<td>166,153</td>
</tr>
<tr>
<td>Ceded Reinsurance Premiums Payable</td>
<td>7,060,125</td>
</tr>
<tr>
<td>Funds Held Under Reinsurance Treaties</td>
<td>29,105,989</td>
</tr>
<tr>
<td>Amounts Withheld or Retained by Company</td>
<td>4,525,973</td>
</tr>
<tr>
<td>Provision for Reinsurance</td>
<td>103,000</td>
</tr>
<tr>
<td>Payable to Parent, Subsidiaries and Affiliates</td>
<td>292,904</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>$265,651,869</strong></td>
</tr>
<tr>
<td>Common Capital Stock</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Gross Paid In and Contributed Surplus</td>
<td>4,000,000</td>
</tr>
<tr>
<td>Unassigned Funds (Surplus)</td>
<td>133,346,571</td>
</tr>
<tr>
<td><strong>Surplus as Regards Policyholders</strong></td>
<td><strong>$140,346,571</strong></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND SURPLUS</strong></td>
<td><strong>$405,998,440</strong></td>
</tr>
</tbody>
</table>
STATEMENT OF INCOME
For the Year Ended December 31, 2016

Premium Earned  $110,741,859

DEDUCTIONS:
Losses Incurred  67,601,688
Loss Adjustment Expenses Incurred  10,148,204
Other Underwriting Expenses Incurred  31,389,594
Total Underwriting Deductions  $109,139,486

Net Underwriting Gain  $ 1,602,373

Net Investment Income Earned  10,008,417
Net Realized Capital Losses  (2,162,468)
Net Investment Gain  $ 7,845,949

Other Income  (264,966)
Federal Income Taxes Incurred  4,202,417

Net Income  $ 4,980,939

RECONCILIATION OF SURPLUS
Changes from December 31, 2015 to December 31, 2016

Capital and Surplus, December 31, 2015  $130,795,778
Net Income  4,980,939
Change in Net Unrealized Gains (Losses)  3,943,516
Change in Net Deferred Income Tax  1,514,607
Change in Non-Admitted Assets  (785,268)
Change in Provision for Reinsurance  (103,000)
Change in Capital and Surplus for the Year  $ 9,550,793
Capital and Surplus, December 31, 2016  $140,346,571
COMMENTS ON FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

GENERAL COMMENTS AND/OR RECOMMENDATIONS

None.
ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Vanliner Insurance Company during the course of this examination is hereby acknowledged and appreciated.

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 Vanliner Insurance Company its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

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

Sworn to and subscribed before me this 30th day of August, 2018.

My commission expires: 10/1/2020

SUSAN M. GREENFIELD
Notary Public
State of Missouri, County of Boone
Commission #12479801
My Commission Expires Oct. 2, 2020
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.

Michael Shadowens, CFE
Audit Manager
Missouri DIFP