

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

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


ORDER

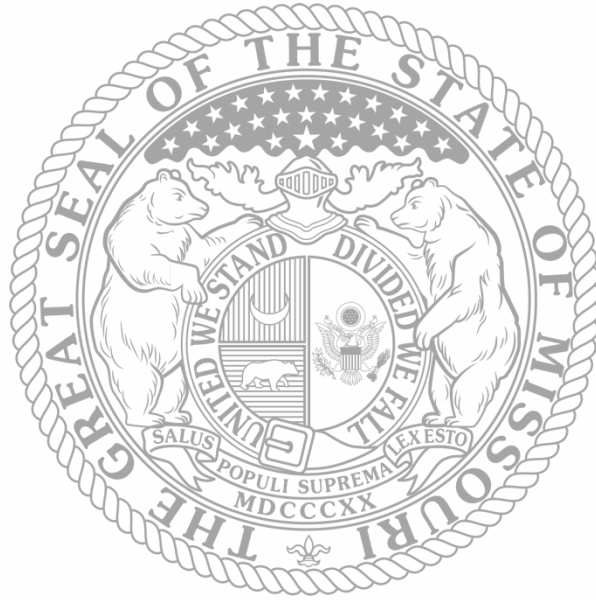
After full consideration and review of the report of the financial examination of Haulers Insurance Company, Inc. for the period ended December 31, 2021, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the 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 Haulers Insurance Company, Inc. as of December 31, 2021, be and is hereby ADOPTED as filed and for Haulers Insurance Company, Inc. 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

HAULERS INSURANCE COMPANY, INC.

AS OF
DECEMBER 31, 2021

**STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE**

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

SCOPE OF EXAMINATION	1
PERIOD COVERED.....	1
PROCEDURES.....	1
SUMMARY OF SIGNIFICANT FINDINGS	2
COMPANY HISTORY	2
GENERAL.....	2
MERGERS, ACQUISITIONS, AND MAJOR CORPORATE EVENTS	2
DIVIDENDS AND CAPITAL CONTRIBUTIONS	2
SURPLUS NOTES.....	2
MANAGEMENT AND CONTROL	2
BOARD OF DIRECTORS	2
SENIOR OFFICERS	3
PRINCIPAL COMMITTEES	4
CORPORATE RECORDS.....	4
HOLDING COMPANY, SUBSIDIARIES, AND AFFILIATES.....	4
ORGANIZATIONAL CHART	4
INTERCOMPANY TRANSACTIONS	5
TERRITORY AND PLAN OF OPERATION	5
GROWTH OF COMPANY AND LOSS EXPERIENCE	6
REINSURANCE	6
GENERAL.....	6
ASSUMED REINSURANCE	6
CEDED REINSURANCE.....	7
ACCOUNTS AND RECORDS	7
INDEPENDENT AUDITOR	7

ACTUARIAL OPINION.....	7
CONSULTING ACTUARY.....	7
INFORMATION SYSTEMS.....	7
FINANCIAL STATEMENTS.....	8
ASSETS.....	9
LIABILITIES, SURPLUS AND OTHER FUNDS.....	10
STATEMENT OF INCOME.....	11
RECONCILIATION OF CAPITAL AND SURPLUS.....	11
COMMENTS ON FINANCIAL STATEMENT ITEMS.....	12
FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION.....	12
SUMMARY OF RECOMMENDATIONS.....	12
SUBSEQUENT EVENTS.....	12
ACKNOWLEDGMENT.....	13
VERIFICATION.....	13
SUPERVISION.....	14

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

Haulers Insurance Company, Inc. (NAIC #31550)

hereinafter referred to as such, as Haulers, or as the Company. Its administrative office is located at 1101 New Highway 7, Columbia, Tennessee 38401, telephone number 931.381.5406. 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 Haulers. The last examination of the Company was performed by the Tennessee Department of Commerce and Insurance and covered the period of January 1, 2013, 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 Haulers 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 also 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 AmShield Insurance Company (AmShield).

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

The Company was incorporated in Tennessee on June 6, 1986. In 2008, Shelter Mutual Insurance Company acquired the Company. In 2018, Haulers re-domesticated to Missouri.

Mergers, Acquisitions, and Major Corporate Events

There were no mergers, acquisitions or major corporate events, apart from the Company’s re-domestication, during the current examination period.

Dividends and Capital Contributions

The following dividends were paid during the current examination period. All of the dividends were ordinary. There were no capital contributions during the current examination period.

Year	Amount
2018	\$ 4,287,000
2019	4,312,000
2020	4,228,730
2021	4,115,886
Total	\$ 16,943,616

Surplus Notes

No surplus notes were 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 Haulers’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

Patricia Coffey
Barrington, IL

Rockne Corbin
Columbia, MO

Stephen Erdel
Columbia, MO

H. Baker Kurrus
Little Rock, AR

Rick Means
Columbia, MO

David Monday
Naples, FL

Madison Moore
Columbia, MO

Tonya Moore
Brandon, MS

Randa Rawlins
Columbia, MO

Principal Occupation and Business Affiliation

Owner/CEO
Cedibus, LLC

Executive Vice President
Shelter Mutual Insurance Company

Chairman/CEO
Boone County National Bank

Attorney
H. Baker Kurrus, PLLC

Retired (President/CEO)
Shelter Mutual Insurance Company

Retired (Partner)
PricewaterhouseCoopers, LLC

Retired (President/CEO)
Shelter Mutual Insurance Company

Executive Director of Leadership/Workforce Development
University of Mississippi Medical Center

President/CEO
Shelter Mutual Insurance Company

Senior Officers

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

Name

Randa Rawlins
Christina Workman
David VanDyke
Paul LaRose
Teresa Magruder
Rockne Corbin
Daniel Clapp
John Rooney
Frank Thompson
Shawn Ricks
Todd Weyler
Brian Waller
Michael Hackman
Jon Imhoff
Mark Stinson
James Heavin
John Wilkinson

Office

President/CEO
Vice President of Accounting/Treasurer
General Counsel/Secretary
Executive Vice President/Assistant Secretary
Executive Vice President
Executive Vice President
Executive Vice President
Vice President of Information Services
Vice President of Marketing
Vice President of Claims
Vice President of Underwriting
Vice President of Government Relations
Vice President of Investments
Vice President of Internal Audit
Vice President of Alternate Channels
Assistant Treasurer
Assistant Secretary

Principal Committees

The 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

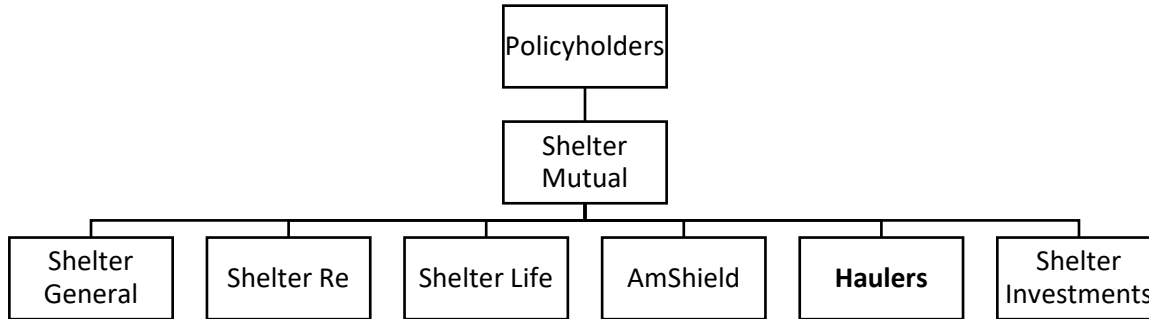
The Company's Articles of Incorporation and Bylaws were reviewed. The minutes of the stockholder's meetings, the Board of Directors' meetings and the meetings of the Audit, Executive & Compensation, Investment and Corporate Governance committees were reviewed for the period under examination.

Holding Company, Subsidiaries, and Affiliates

Haulers is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). Haulers' direct parent, Shelter Mutual Insurance Company, is 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:

Services Agreement: Haulers and Shelter Mutual have an Agreement for Services and Allocation of Board of Director Costs, effective January 1, 2009, to allocate board expenses and establish costs for services provided by Shelter Mutual for the benefit of Haulers.

Management Services Agreement: Haulers entered into a Management Services Agreement with Shelter Benefits Management, Inc. (Shelter Benefits), effective April 1, 2013. Under the agreement, Shelter Benefits will provide services relating to the management of Haulers human resources and employee benefits.

Tax Allocation Agreement: A Tax Allocation Agreement between parent and several subsidiaries was amended June 30, 2008, to add Haulers 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: Haulers 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, Haulers’ borrowing limit was \$2 million, and no balance was outstanding.

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

TERRITORY AND PLAN OF OPERATION

In 2021, Haulers wrote business in seven of the eighteen states in which it was licensed. The Company’s major lines of business are private passenger auto, private passenger liability and commercial auto liability. Approximately 70% of Haulers’ direct premiums were produced in Tennessee, Missouri and Georgia. Haulers relies upon an independent agency system to produce business.

GROWTH OF COMPANY AND LOSS EXPERIENCE

Haulers' capital and surplus has slowly decreased during the examination period.

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

(\$000s omitted)

Year	Net Premiums Written	Change in Net Premiums	Capital and Surplus	Ratio of Net Premiums to Surplus
2017	\$ 38,178	\$ (1,005)	\$ 43,872	.89
2018	39,402	1,224	43,124	.91
2019	40,351	949	42,287	.95
2020	39,055	(1,296)	41,159	.95
2021	37,269	(1,786)	41,196	.90

The Company's loss ratio has remained relatively constant over the examination period. As noted in the Ceded Reinsurance section of this report, the Company cedes 95% of losses in excess of a 57.5% loss ratio under a stop loss agreement with Shelter Mutual.

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

(\$000s omitted)

Year	Net Premiums Earned	Net Losses and Loss Adjustment Expenses	Loss Ratio
2017	\$ 38,375	\$ 25,683	67%
2018	38,745	25,652	66%
2019	39,857	27,362	69%
2020	39,428	26,708	68%
2021	37,782	25,416	67%

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	\$ 40,194	\$ 41,441	\$ 42,496	\$ 41,160	\$ 39,397
Reinsurance Ceded:					
Affiliates	1,919	1,937	1,993	1,971	1,889
Non-Affiliates	98	102	151	133	239
Net Premiums Written	\$ 38,178	\$ 39,402	\$ 40,351	\$ 39,055	\$ 37,269

Assumed Reinsurance

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

Ceded Reinsurance

Under a stop-loss agreement, which became effective January 1, 2017, the Company cedes 95% of its losses in excess of a 57.5% loss ratio net of reinsurance to Shelter Mutual. The agreement is subject to a \$30,000,000 limit of liability each year. In return for this coverage, the Company cedes 5% of its earned premium each year.

Haulers has a catastrophe reinsurance program with various non-affiliates in which Shelter Mutual, Shelter General, and AmShield also participate.

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 years 2021, 2020, 2019, and 2018. The CPA firm, Faulkner Mackie & Cochran, P.C., in Nashville, Tennessee, performed the statutory audit of the Company for year 2017. Reliance was placed upon the CPA workpapers 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 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 Department, Jon W. Michelson, FCAS, MAAA of Expert Actuarial Services, LLC, reviewed the underlying actuarial assumptions and methodologies used by Haulers 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 Haulers 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	\$ 64,445,472	\$ 0	\$ 64,445,472
Real Estate:			
Properties Occupied by the Company	761,660	0	761,660
Cash, Cash Equivalents, and Short- Term Investments	4,065,560	0	4,065,560
Other Invested Assets	494,854	0	494,854
Receivables for Securities	2,738	0	2,738
Investment Income Due and Accrued Premiums and Considerations:	312,965	0	312,965
Uncollected Premiums and Agents' Balances in the Course of Collection	1,656,032	0	1,656,032
Deferred Premiums, Agents' Balances, and Installments Booked but Deferred and Not Yet Due	6,124,871	0	6,124,871
Reinsurance:			
Amounts Recoverable from Reinsurers	784,406	0	784,406
Net Deferred Tax Asset	26,269	0	26,269
Electronic Data Processing Equipment and Software	59,400	0	59,400
Furniture and Equipment, Including Health Care Delivery Assets	28,766	28,766	0
Receivables from Parent, Subsidiaries, and Affiliates	12,309	0	12,309
Aggregate Write-Ins for Other-Than- Invested Assets	110,270	0	110,270
TOTAL ASSETS	\$ 78,885,572	\$ 28,766	\$ 78,856,806

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2021

Losses	\$ 20,213,297
Loss Adjustment Expenses	1,676,135
Commissions Payable, Contingent Commissions, and Other Similar Charges	76,871
Other Expenses	418,011
Taxes, Licenses, and Fees	331,715
Current Federal and Foreign Income Taxes	978,476
Unearned Premiums	12,454,616
Advance Premiums	464,059
Ceded Reinsurance Premiums Payable (Net of Ceding Commissions)	464,874
Amounts Withheld or Retained by Company for Account of Others	6,199
Payable to Parent, Subsidiaries, and Affiliates	66,980
Payable for Securities	509,792
TOTAL LIABILITIES	\$ 37,661,025
Common Capital Stock	3,000,000
Gross Paid In and Contributed Surplus	2,882,872
Unassigned Funds (Surplus)	35,312,909
TOTAL CAPITAL AND SURPLUS	\$ 41,195,781
TOTAL LIABILITIES AND SURPLUS	\$ 78,856,806

STATEMENT OF INCOME
For the Year Ended December 31, 2021

Premiums Earned	\$ 37,782,306
DEDUCTIONS:	
Losses Incurred	21,981,854
Loss Adjustment Expenses Incurred	3,434,152
Other Underwriting Expenses Incurred	11,083,412
Total Underwriting Deductions	<u>\$ 36,499,418</u>
Net Underwriting Gain (Loss)	\$ 1,282,888
Net Investment Income Earned	2,195,470
Net Realized Capital Gains	(57,979)
Net Investment Gain (Loss)	\$ 2,137,491
Finance and Service Charges Not Included in Premiums	1,678,314
Aggregate Write-Ins for Miscellaneous Income	15,489
Federal and Foreign Income Taxes Incurred	<u>989,368</u>
NET INCOME (LOSS)	<u>\$ 4,124,814</u>

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	\$ 39,070	\$ 42,872	\$ 43,124	\$ 42,287	\$ 41,159
Net Income (Loss)	4,277	4,026	3,115	3,073	4,125
Change in Net Unrealized					
Capital Gains (Losses)					
Less Capital Gains Tax	22	0	0	0	0
Change in Net Deferred					
Income Tax	(553)	122	255	33	23
Change in Nonadmitted					
Assets	56	392	105	(6)	5
Dividends to Stockholders	0	(4,287)	(4,312)	(4,229)	(4,116)
Net Change in Capital and					
Surplus	<u>3,802</u>	<u>252</u>	<u>(837)</u>	<u>(1,128)</u>	<u>37</u>
Capital and Surplus, End					
of Year	<u>\$ 42,872</u>	<u>\$ 43,124</u>	<u>\$ 42,287</u>	<u>\$ 41,159</u>	<u>\$ 41,196</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

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.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Haulers Insurance Company, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Examiner-in-Charge Thomas J. Cunningham, CPA, CFE, Josh Nash, CFE, CPA, Justin Lamb, Conner Nilges, CFE, Rebecca Edwards, James Le, CFE, CPA, CPCU, examiners for the Missouri Department of Commerce and Insurance, also participated in this examination.

VERIFICATION

State of Missouri)
) ss
 County of Cole)

I, Brian D. Hammann, CPA, CFE, 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 Haulers Insurance Company, Inc., 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.

Brian D Hammann
 Brian D. Hammann, CPA, CFE
 Examiner-In-Charge
 Missouri Department of Commerce and
 Insurance

Sworn to and subscribed before me this 13th day of March, 2023.

My commission expires: March 30, 2023 Hailey Luebbert
 Notary Public



SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the *Financial Condition Examiners Handbook* has been confirmed, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.



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