STATE OF TENNESSEE

DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION

OF

HAULERS INSURANCE COMPANY, INC.

(NAIC # 31550)

COLUMBIA, TENNESSEE

AS OF

DECEMBER 31, 2012

EXHIBIT "A"

TABLE OF CONTENTS

Introduction 1
Scope of Examination 1
Compliance with Previous Examination Findings 2
Company History 2
General 2
Dividends 4
Management and Control 4
Management 4
Conflicts of Interest and Pecuniary Interest 5
Corporate Records 5
Control 6
Organizational Chart 7
Management and Service Contracts 9
Fidelity Bond and Other Insurance 9
Retirement Plans and Other Employee Benefits 9
Territory and Plan of Operation 10
Growth of Company 10
Loss Experience 11
Reinsurance Agreement 11
Reinsurance Ceded 11
Commission Equity 12
Commitments and Contingent Liabilities 12
Statutory Deposits 13
Accounts and Records 14
Market Conduct Activities 15
Financial Statements 16
Assets 16
Liabilities, Surplus and Other Funds 17
Statement of Revenues and Expenses 18
Capital and Surplus Account 19

Reconciliation of Capital and Surplus 20
Summary of Significant Findings 21
Analysis of Changes in Financial Statements 21
Subsequent Events 21
Comments and Recommendations 21
Conclusion 23
Affidavit 24

Columbia, Tennessee
June 3, 2014

The Honorable Julie Mix McPeak
Commissioner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, Tennessee 37243

Dear Commissioner:

Pursuant to your instructions and in accordance with Tenn. Code Ann. § 56-1-408, regulations, and resolutions adopted by the National Association of Insurance Commissioners (NAIC), a full scope financial examination and market conduct review has been made concerning the conditions and affairs of the:

HAULERS INSURANCE COMPANY, INC.
1101 New Highway 7
Columbia, Tennessee 38401

hereinafter generally referred to as the "Company" and a report thereon is submitted as follows:

INTRODUCTION

This examination was called by the Commissioner of the Tennessee Department of Commerce and Insurance (TDCI) and commenced on August 12, 2013, and was conducted by duly authorized representatives of the TDCI under the association plan of the (NAIC).

SCOPE OF EXAMINATION

This examination report covered the period from January 1, 2008, through December 31, 2012, and includes any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

The examination was conducted in accordance with guidelines and procedures with the risk focused approach to examinations as described in the NAIC *Financial Condition Examiners Handbook* (Handbook). All accounts and activities of the Company were examined in accordance with the risk focused examination process.

The Handbook requires planning and performing the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining

information about the Company, including corporate governance, identifying and assessing inherent risks within the company, and evaluating system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and evaluating management's compliance with statutory accounting principles and annual statement instructions.

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

The previous examination was performed as of December 31, 2007. During the previous examination, there were no material findings or exceptions.

COMPANY HISTORY

GENERAL

The Company was incorporated on June 9, 1986, pursuant to the provisions of the Tennessee General Corporation Act. The original charter, which was approved by the TDCI on June 6, 1986, established a for-profit corporation with a principal office located at 1101 New Highway 7, Columbia, Tennessee. The Company was originally formed to operate as a pure captive insurance company. The primary stated purpose of the Company was as follows:

> To make all types and forms of insurance permitted by the Tennessee Captive Insurance Act now in existence or as it may be amended on risks, hazards, and liabilities of its parent, subsidiary companies of its parents, companies affiliated and/or associated with its parent, and other legal entities whose purposes and operation are similar to the parent.

The charter provided for an initial capitalization of a maximum of 20,000 shares of common stock at a par value of $40.00 per share. The corporation would not commence business until consideration of $750,000 had been received.

By declaration of its sole incorporator on June 12, 1986, the Company accepted a subscription from General Trucking Company, Inc. for 6,000 shares. The Company also accepted a subscription from James H. Walker for 4,000 shares. The total consideration for these 10,000 shares was $750,000, of which $400,000 was designated as paid in capital and $350,000 was designated as gross paid in and contributed surplus.

On May 4, 1987, the Company amended its charter to allow the Directors to take action by written consent. This amendment was approved by the TDCI on April 28, 1987.

On July 7, 1987, the Company amended its charter to change its primary purpose to the following:

> To make all types and forms of property, vehicle, casualty and surety insurance as defined by Tenn. Code Ann. § 56-2-201.

This amendment, which was approved by the TDCI on July 6, 1987, also changed the par value of the common stock from $40.00 to $61.00 per share. All shares originally issued at a par value of $40.00 were surrendered for new shares with a par value of $61.00. The Company transferred $210,000 from gross paid in and contributed surplus to paid in capital. The Company issued an additional 7,100 shares during 1987. The total consideration for these 7,100 shares was $1,114,764, of which $433,100 was designated as paid in capital and $681,664 was designated as gross paid in and contributed surplus.

Effective February 5, 1988, the Company amended its charter to increase the maximum number of authorized shares to 500,000. Each of the shares outstanding was reclassified into ten (10) shares with a par value of $6.00 per share. Paid in capital was decreased by $17,100 and gross paid in and contributed surplus was increased by a like amount. An additional 47,290 shares were issued, from that point through December 31, 1992. The total consideration for these 47,290 shares was $749,333, of which $283,380 was designated as paid in capital and $465,953 was designated as gross paid in and contributed surplus. This amendment was approved by the TDCI on January 22, 1988.

On September 29, 1995, the Company amended its charter to change the par value of its common stock to $10.00 per share; TDCI approved on that same date. All original shares with a par value of $6.00 per share were surrendered in exchange for new shares of like number with a par value of $10.00 per share. The Company transferred $920,160 from gross paid in and contributed surplus to paid in capital.

On May 25, 2004, the Company amended its charter for the renaming of the physical address by the U.S. Postal Service.

The Company's bylaws were amended on October 20, 2005.

During 2005, the Company reclassified funds of $2 million from Unassigned Funds to Gross Paid-in & Contributed Surplus to meet capitalization requirements in the State of Ohio where the Company sought licensure. The reclassification was in accordance with

NAIC Accounting Practices and Procedures No. 72 and was approved by the TDCI on April 28, 2005.

In November 2006 the Company purchased 109 shares of common stock from a former employee. In 2007 the Company issued 1,000 shares of common stock.

Shelter Mutual Insurance Company (Shelter) filed a Form A on May 8, 2008, seeking approval from the TDCI to acquire the Company. The Form A was approved effective June 23, 2008. On June 30, 2008, Shelter purchased all issued and outstanding stock of the Company. The stated value of the transaction was $50,705,595.

The Company's charter and bylaws were amended on June 30, 2008.

DIVIDENDS

The Company declared and paid ordinary dividends of $3,900,000 and $3,600,000 in 2011 and 2012, respectively. Ordinary dividends require no prior approval pursuant to Tenn. Code Ann. § 56-11-105. Prior notification of dividends was not provided to the TDCI pursuant to Tenn. Code Ann. § 56-11-105(e). See "Comments and Recommendations" section later in this report.

MANAGEMENT AND CONTROL

MANAGEMENT

The 2012 annual meeting of the Company was held in accordance with Tennessee statutes. The business and affairs of the Company were managed by a Board of Directors composed of nine (9) individuals.

The following individuals were serving as Directors on December 31, 2012:

Name	Title/Position
J. Donald Duello	Chair and Director
Ann K. Covington	Vice Chair and Director
Gerald T. Brouder	Director
Deborah L. Douglass	Director
Randall C. Ferguson	Director
Don A. McCubbin	Director
Barry L. McKuin	Director
Ricky L. Means	Director
John D. Moore	Director

The following individuals were serving as Officers on December 31, 2012:

Name	Title/Position
Ricky L. Means	President and Chief Executive Officer
S. Daniel Clapp	Treasurer
Randa C. Rawlins	Secretary
Christina M. Workman	Assistant Treasurer
J. Steven Wilkinson	Assistant Secretary
Lloyd Montgomery	Vice President of Alternate Channels

The following individuals were serving on committees appointed by the Board of Directors on December 31, 2012:

Audit Committee
Barry L. McKuin, Chair
Randall C. Ferguson
Deborah L. Douglass

Investment Committee
J. Donald Duello, Chair
Gerald T. Brouder
S. Daniel Clapp
Ann K. Covington
Don A. McCubbin
Ricky L. Means
John D. Moore

Executive and Compensation Committee
Ann K. Covington, Chair
Gerald T. Brouder
J. Donald Duello
Barry L. McKuin
Ricky L. Means

CONFLICTS OF INTEREST AND PECUNIARY INTEREST

Directors and officers of the Company completed an Executive Disclosure Form for Conflicts of Interests annually. The disclosure forms were reviewed without exception.

A review of compliance with Tenn. Code Ann. § 56-3-103 found that no director or officer of the Company had a pecuniary interest in the investment or disposition of Company funds.

CORPORATE RECORDS

The recorded minutes of the Board of Directors were reviewed for the period under examination. The minutes of meetings were adequate in detail to support the actions of the Company.

The Board of Directors approved investment transactions for the period under review.

Charter and Bylaws

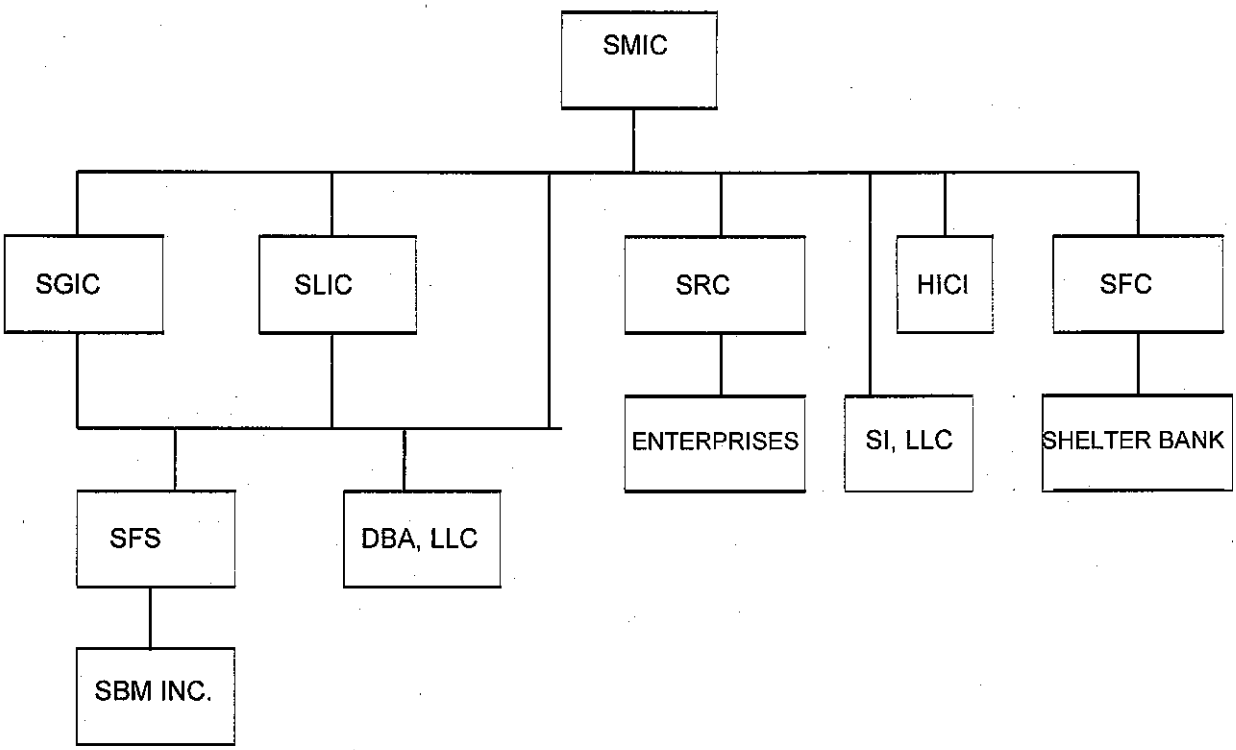
As noted in the "Company History" section, the Company made various changes to the charter and bylaws since inception. The Company's charter and bylaws were amended on June 30, 2008. The Company's bylaws were again amended February 22, 2013.

CONTROL

The Company is a member of an insurance holding company system as defined by § 56-11-101 and is subject to Tenn. Code Ann. § 56-11-101, *et seq.* "Insurance Holding Company System Act of 1986". The Company files a Holding Company Registration Statement annually as required by Tenn. Code Ann. § 56-11-105. The required Forms B and C were filed April 25, 2013.

On December 31, 2012, Shelter Mutual Insurance Company held 100% ownership interest in the Company.

ORGANIZATIONAL CHART



FULL CORPORATE NAMES, DOMICILE, AND VOTING CONTROL

Entity	Entity FEIN #	NAIC #	State	Company	Ownership
SMIC	43-0613000	23388	MO	Shelter Mutual Insurance	
SGIC	43-6031499	23361	MO	Shelter General Insurance	100% SMIC
SLIC	43-0740882	65757	MO	Shelter Life Insurance Company	100% SMIC
SRC	43-1424791	26557	MO	Shelter Reinsurance Company	100% SMIC
HICI	62-1281129	31550	TN	Haulers Insurance Company, Inc.	100% SMIC
SFC	43-1812884		MO	Shelter Financial Corporation	100% SMIC
SFS, INC	43-0744017		MO	Shelter Financial Services, Inc.	79% SMIC, 11% SGIC, 10% SLIC
DBA, LLC	43-1746439		MO	Daniel Boone Agency, LLC	40% SMIC, 40% SGIC, 20% SLIC
ENTERPRISES	43-0965316		MO	Shelter Enterprises, LLC	39.11% SGIC, 39.11% SLIC, 13.08% SMIC, 08.70% SRC
SHELTER BANK	52-2141577		MO	Shelter Financial Bank	100% SFC
SBM INC	43-1013154		MO	Shelter Benefits Management Inc.	100% SFS, INC
SI, LLC	46-1469050		MO	Shelter Investments, LLC	100% SMIC

MANAGEMENT AND SERVICE CONTRACTS

Under terms of a management agreement between the Company, Shelter Mutual Insurance Company, and Shelter Benefits Management, Inc. (SBMI), Shelter Mutual Insurance Company provides investment services, tax services, information services, printing services, training services, legal services, planning and research services, internal audit services, claims services, and underwriting services. The agreement was effective January 1, 2009. The agreement was filed on December 12, 2008. The agreement was approved by the TDCI on February 13, 2009.

The Company is party to a tax allocation agreement as amended between Shelter Mutual Insurance Company and all of its subsidiaries. Under terms of the agreement the Company files a consolidated tax return. Each party pays taxes and receives refunds in the manner if filing a non-consolidated return. The agreement was retroactively effective June 30, 2008. The agreement and Addendum No. 1 were filed on September 23, 2008. Addendum No. 1 added the Company as a party to the tax allocation agreement. The agreement was approved on February 13, 2009.

FIDELITY BOND AND OTHER INSURANCE

The Company maintains fidelity bond coverage at a level suggested in the NAIC's Handbook. For the Company, a minimum coverage of $450,000 to $500,000 is suggested in the NAIC's Handbook.

RETIREMENT PLANS AND OTHER EMPLOYEE BENEFITS

As of December 31, 2012, the following benefits were available to the Company's employees:

401(k) Plan

The Company offers a defined contribution plan. The Company matches dollar-for-dollar up to 4% of employee's compensation.

Medical Coverage

Medical Coverage is provided to employees. Dependent coverage is available.

Disability, Etc.

The Company offers short and long term disability, dental, and vision insurance.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2012, and as of the date of this examination report, the Company was licensed to transact business in eighteen (18) states. Certificates of Authority were valid in each state. As shown on Schedule T of the 2012 Annual Statement, the Company wrote direct premiums of $30,887,570.

Plan of Operation

The Company writes private and commercial auto liability, physical damage, fire, inland marine, and general liability coverage.

GROWTH OF COMPANY

The following table depicts certain aspects of the growth and financial history of the Company during the examination period ($000's omitted):

Year	Admitted Assets	Total Liabilities	Surplus	Net Underwriting Gain (loss)	Net Investment Gain (Loss)	Net Income (Loss)
2012	$58,451	$23,152	$35,299	($1,834)	$6,967	$6,311
2011	57,072	20,309	36,763	(2,984)	1,987	510
2010	58,956	19,471	39,485	103	2,162	2,792
2009	54,880	18,832	36,048	(564)	1,810	2,064
2008	49,579	16,726	49,579	213	1,731	2,436

LOSS EXPERIENCE

The loss experience of the Company during the examination period was as follows:

Year	Earned Premiums	Losses Incurred	LAE Incurred	Loss Ratio
2012	$29,240,361	$19,435,658	$2,603,223	75.4%
2011	27,752,320	19,328,211	2,894,613	80.1%
2010	27,171,103	15,927,251	2,915,732	69.3%
2009	25,990,433	16,507,567	2,360,334	72.6%
2008	25,502,041	15,366,822	2,090,548	68.5%
Total	136,056,258	86,565,509	12,864,450	73.1%

REINSURANCE AGREEMENT

REINSURANCE CEDED

The Company is a party to a property catastrophe excess of loss reinsurance agreement with Shelter Reinsurance Company, an affiliate and authorized reinsurer. The agreement at the date of this examination was effective January 1, 2012 – January 1, 2013, and is continuously in effect for successive 12 month periods. Under terms of the agreement, the Company retained $300,000 any one loss occurrence, and Shelter Reinsurance Company's limit was $700,000 any one loss occurrence on the first layer. The Company retained $1,000,000 any one loss occurrence, and Shelter Reinsurance Company retained $2,000,000 any one loss occurrence on the second layer.

The Company is a party to a per risk property and casualty reinsurance agreement with Shelter Reinsurance Company. The agreement at the date of this examination was effective January 1, 2012 – January 1, 2013, and is continuously in effect for successive 12 month periods. Under terms of the agreement, the Company retained $100,000, and Shelter Reinsurance Company's limit was $400,000 on the first layer of property business. The Company retained $500,000, and Shelter Reinsurance Company's limit was $250,000 on the second layer of property business. The Company retained $100,000, and Shelter Reinsurance Company's limit was $900,000 on the first layer of casualty business. The Company retained $500,000, and Shelter Reinsurance Company's limit was $1,000,000 on the second layer of casualty business. Addendum No. 1 was effective August 1, 2009. Addendum No. 1 amended the agreement years. Addendum No. 2 was effective January 1, 2011. Addendum No. 2 adjusted the

business covered and the reinsurance premium. Addendum No. 3 was effective January 1, 2012. Addendum No. 3 adjusted the reinsurance premium.

The reinsurance agreement does not require approval pursuant to Tenn. Code Ann. § 56-11-106. The reinsurance agreement contained acceptable provisions of reporting responsibility of the ceding entity, payment terms, premium taxes, termination clauses and ceding clauses. The Company's reinsurance agreements transferred risk in accordance with SSAP No. 62 and NAIC guidelines.

COMMISSION EQUITY

Shelter Reinsurance Company was responsible for losses occurring before the expiration of the property catastrophe excess of loss agreement. The Company paid premiums on the basis of earned premiums on the per risk property and casualty agreement. There is no ultimate liability for unearned ceded premium.

COMMITMENTS AND CONTINGENT LIABILITIES

The Company was involved in certain legal matters resulting from normal operations. The outcome of such actions should not have a material effect on the financial position of the Company.

STATUTORY DEPOSITS

In compliance with Tenn. Code Ann. § 56-2-104, the Company maintained the following deposits with the TDCI and other states as of December 31, 2012:

Description	Par Value	Book/Adjusted Carrying Value	Market Value
Mo St Hwys & Trans Rev 5.000%, Due 2-1-20 Cusip # 60636WQL2	$200,000	$233,683	$252,242
Cleveland TN Go Assured 3.750%, Due 6-1-20 Cusip # 186523AL0	$500,000	$508,816	$571,480
Georgetown Univ DC Rev Txbl 7.220%, Due 4-1-19 Cusip # 373109BM8	$250,000	$263,718	$297,763
Hamilton Cnty TN Go 3.000%, Due 3-1-21 Cusip # 407324Y55	$320,000	$318,835	$344,253
Memphis TN Arena Proj Rev 5.000%, Due 11-1-22 Cusip # 586123DR9	$200,000	$214,314	$232,652
Vanderbilt Univ TN Go Txbl 5.250%, Due 4-1-19 Cusip # 921813AA9	$235,000	$235,551	$282,660
Total special deposits held for the benefit of all policyholders	$1,705,000	$1,774,917	$1,981,050

Description	Par Value	Book/Adjusted Carrying Value	Market Value
US Treasury Bonds 6.250%, Due 8-15-23 Cusip # 912810EQ7	$85,000	$94,999	$121,723
US Treasury Bonds 7.250%, Due 5-15-16 Cusip # 912810DW5	$100,000	$100,517	$122,766
Charlotte NC Water & Swr Rev 4.625%, Due 7-1-36 Cusip # 161045GM5	$225,000	$226,860	$239,103

Knox Cnty TN Wtr & Swr Rev Pre-Re 4.500%, Due 4-1-21 Cusip # 406313JG2	$200,000	$200,000	$202,150
Rhode Island St Econ Dev Rev CIFG 5.000%, Due 7-1-24 Cusip # 762237APO	$100,000	$101,559	$105,661
Total special deposits which are not held for the benefit of all policyholders	$710,000	$723,935	$791,403
Total special deposits	$2,415,000	$2,498,852	$2,772,453

ACCOUNTS AND RECORDS

During the course of examination, tests and audit procedures were performed as necessary, including verification of postings, extensions, and footings. General ledger trial balances were reconciled with the Annual Statements and trial balances for all 5 years.

The Company's actuary did not perform an analysis of ceded IBNR or calculation of ceded IBNR. Future actuarial reports should contain an analysis of ceded IBNR, and the Company should consider the materiality of any ceded reserve when determining to carry or not carry ceded IBNR in the annual statement. See Comments and Recommendations section, later in this report.

The Company's annual statement did not show incurred but not reported (IBNR) for defense cost and containment (DCC). Schedule P in the annual statement should separate IBNR between loss and DCC in columns 15 and 19. See Comments and Recommendations section, later in this report.

Except as otherwise noted in this report, accounting records conformed to statutory accounting practices and procedures and reflected the operations and status of the Company during the examination period.

The Company's primary books and records are located at 1101 New Highway 7, Columbia, TN 38401.

Faulkner, Mackie, and Cochran, P.C. audited the Company's financials for the years ending December 31, 2011, through December 31, 2012. Cooper, Travis and Company, PLC audited the Company's financials for the years ending December 31, 2008, through December 31, 2010.

The Company's Risk-Based Capital Report is in compliance with Tenn. Code Ann. § 56-46-101, *et seq.*

MARKET CONDUCT ACTIVITIES

Underwriting, Rates, and Policy Forms

The Company uses casualty rates developed by a combination of Company experience and industry data. Application files and underwriting standards of written policies were reviewed. The Company maintains written underwriting procedures and a rating guide.

Complaints

The Company maintains a complaint log. Inquiries made to consumer services indicated no regulatory concerns with the Company during the period of examination.

Advertising

The advertising program consists of Company brochures. The brochures are provided as handouts during conferences.

Claims Review

A review of open and closed claim files indicated that claims were being paid in accordance with policy provisions. Settlements were made promptly upon receipt of proper evidence of the Company's liability.

Privacy Policy

The Company maintained a written privacy policy in compliance with Tenn. Comp. R. & Regs. 0780-1-72-.06.

FINANCIAL STATEMENTS

A statement of assets, liabilities and statement of income as of December 31, 2012, together with a reconciliation of capital and surplus for the period under review, as established by this examination is as follows:

ASSETS

	Assets	Non-admitted Assets	Net Admitted Assets
Bonds	$46,607,288	$327,377	$46,279,911
Real estate properties occupied by the company	961,556		961,556
Cash and short-term investments	4,166,904	0	4,166,904
Subtotals, cash and invested assets	51,735,748	327,377	51,408,371
Investment income due and accrued	511,461	0	511,461
Uncollected premiums and agents' balances in the course of collection	1,392,422		1,392,422
Deferred premiums, agent's balances and installments booked, deferred and not yet due	4,882,115	0	4,882,115
Current federal and foreign income tax recoverable and interest thereon	186,470	0	186,470
Electronic data processing equipment and software	56,021		56,021
Furniture and equipment, including health care delivery assets	331,816	331,816	0
Aggregate write-ins for other than invested asset	48,496	33,882	14,614
Totals	$59,144,549	$693,075	$58,451,474

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses		$10,944,426
Loss adjustment expenses		1,123,633
Commissions payable, contingent commissions and other similar charges		119,346
Other expenses (excluding taxes, licenses, and fees)		123,145
Taxes, licenses, and fees		157,689
Net deferred tax liability		416,273
Unearned premiums		9,814,416
Advance premiums		138,560
Ceded reinsurance premiums payable (net of ceding commissions)		91,439
Amounts withheld or retained by company for account of others		4,175
Payable to parent, subsidiaries, and affiliates		11,533
Payable for securities		207,842
Total liabilities		$23,152,477
Common capital stock	$3,000,000	
Gross paid-in and contributed	2,882,872	
Unassigned funds (surplus)	29,416,125	
Surplus as regards policyholders		35,298,997
Total liabilities and surplus		$58,451,474

STATEMENT OF REVENUES AND EXPENSES

Underwriting Income		
Premiums earned		$29,240,361
Total revenues		$29,240,361
Deductions		
Losses incurred	$19,435,658	
Loss adjustment expenses incurred	2,603,223	
Other underwriting expenses incurred	9,035,263	
Total underwriting deductions	31,074,144	
Net underwriting gain (loss)		(1,833,783)
Investment Income		
Net investment income earned	1,834,506	
Net realized capital gains (losses)	5,132,303	
Net investment gain		6,966,809
Other Income		
Finance and service charges not included in premiums	1,453,526	
Aggregate write-ins for miscellaneous income	13,326	
Total other income		1,466,852
Net income or (loss) after capital gains tax and before federal and foreign income taxes		6,599,878
Federal and foreign income taxes incurred		289,329
Net income		$ 6,310,549

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, previous year		$36,762,686
Net income	$6,310,549	
Change in net unrealized capital gains or (losses) less capital gains tax of ($1,399,527)	(2,599,122)	
Change in net deferred income tax	(1,704,654)	
Change in non-admitted assets	129,538	
Dividends to stockholders	(3,600,000)	
Change in surplus as regards policyholders for the year		(1,463689)
Surplus as regards policyholders, December 31, current year		$35,298,997

RECONCILIATION OF CAPITAL AND SURPLUS

	2012	2011	2010	2009	2008
Surplus as regards policyholders, December 31, previous year	$36,762,686	$39,484,500	$36,047,754	$32,853,315	$29,819,237
Net income	6,310,549	509,618	2,791,741	2,063,913	2,436,249
Change in net unrealized capital gains or losses)	(2,599,122)	375,791	446,995	1,109,117	18,094
Change in net deferred income tax	(1,704,654)	147,815	(46,691)	11,226	52,559
Change in non-admitted assets	129,538	144,962	244,701	10,813	527,176
Capital changes: Transferred from surplus (Stock Dividend)	0	0	820,000	0	0
Surplus adjustments: Transferred to capital (Stock Dividend)	0	0	(820,000)	0	0
Dividends to stockholders	(3,600,000)	(3,900,000)	0	0	0
Net change for the year	(1,463,689)	(2,721,814)	3,436,746	3,194,439	3,034,078
Surplus as regards policyholders, December 31, current year	$35,298,997	$36,762,686	$39,484,500	$36,047,754	$32,853,315

SUMMARY OF SIGNIFICANT FINDINGS

There were no material findings or exceptions noted during the examination.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

No schedule or comment is applicable.

SUBSEQUENT EVENTS

Shelter Mutual Insurance Company and its subsidiaries (including Haulers) and affiliates and UMB Bank executed the sixth amendment to the custodial agreement on May 23, 2014.

COMMENTS AND RECOMMENDATIONS

Comments

Shelter Mutual Insurance Company and its subsidiaries (including Haulers) and affiliates and UMB Bank executed the sixth amendment to the custodial agreement on May 23, 2014, to comply with all provisions required by Tenn. Comp. R. & Reg. 0780-1-46-.02. Previously, the custodial agreement did not contain all provisions required by Tenn. Comp. R. & Reg. 0780-1-46-.02.

Recommendations

1) The Company's actuary did not perform an analysis of ceded IBNR or calculation of ceded IBNR. Future actuarial reports should contain an analysis of ceded IBNR, and the Company should consider the materiality of any ceded reserve when determining to carry or not carry ceded IBNR in the annual statement.

   It is recommended that the Company comply with Tenn. Code Ann. § 56-1-501(g) by preparing annual statements in accordance with the NAIC Accounting Practices and Procedures Manual.

2) The Company's annual statement did not show incurred but not reported (IBNR) for defense cost and containment (DCC). Schedule P in the annual statement should separate IBNR between loss and DCC in columns 15 and 19.

   It is recommended that the Company comply with Tenn. Code Ann. § 56-1-501(g) by preparing annual statements in accordance with the NAIC Accounting Practices and Procedures Manual.

3) The Company did not provide the TDCI prior notice of dividends for 2011 and 2012.

   It is recommended that the Company report all dividends to the TDCI pursuant to Tenn. Code Ann. § 56-11-105(e).

CONCLUSION

The customary insurance examination practices and procedures, as established by the NAIC, were utilized in connection with the verification and valuation of assets and the determination of liabilities in the financial statement of this report.

The examiners determined that as of December 31, 2012, the Company had net admitted assets of $58,451,474 and liabilities, exclusive of capital, of $23,152,477. Thus, there existed for the additional protection of the policyholders, the amount of $35,298,997 in the form of special surplus funds, aggregate write-ins for other than special surplus funds, and unassigned funds (surplus).

The courteous cooperation of the officers of the Company and its employees extended during the course of the examination is hereby acknowledged.

In addition to the undersigned, James Pearce and Rebecca Walker, insurance examiners representing the State of Tennessee, Carol Riley, of the contracting firm, Noble Consulting Services, Inc., Indianapolis, Indiana, and Gregory Wilson of the contracting actuarial firm, Lewis and Ellis, Inc., Richardson, Texas, participated in this examination.

Respectfully submitted,

Bryant Cummings, CFE
Examiner-in-Charge
State of Tennessee

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Haulers Insurance Company dated June 3, 2014, and made as of December 31, 2012, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information, and belief.

Bryant Cummings

Bryant Cummings, CFE
Examiner-in-Charge
State of Tennessee

State Tennessee

County Davidson

Subscribed to and sworn before me

this 19th day of June, 2014

Notary Helen W. Dorsey

My Commission Expires: 11/06/2017

HELEN W DORSEY
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY

HAULERS INSURANCE COMPANY, INC.

A Shelter Insurance® Company

June 19, 2014

E. Joy Little
Director of Financial Examinations
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243

RE: Haulers Insurance Company, Inc. – Report of Examination

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for Haulers Insurance Company, Inc. By signing below, we indicate acceptance of the report, as transmitted, and without rebuttal.

Sincerely,

Duane Leach

Duane Leach
Chief Accountant

EXHIBIT "B"

P. O. Box 270
Columbia, TN 38402-0270

Claims:
888.296.7419

All Other:
800.346.6071

Fax:
800.296.0419