

#1 ... Again



2018

ANNUAL REPORT

Shelter Insurance® will be a dynamic group of companies focused on providing financially secure insurance protection and services to individuals and businesses, a quality working environment, emphasis on easy-to-use services, a commitment to continuous improvement, and a passion for pleasing our customers.





REFLECTIONS

A MESSAGE FROM SHELTER'S CEO AND BOARD CHAIR



RICK MEANS
CEO & Board Chair

The 2018 Annual Report highlights the many accomplishments of the Shelter Insurance group of companies especially related to our financial results. First, I am very proud J.D. Power has again awarded Shelter Insurance® “highest customer satisfaction among auto insurers in the central region, two out of three years.” The central region includes our largest states, Missouri, Arkansas, Oklahoma and Kansas, as well as Nebraska and Iowa. Shelter also tied for fourth nationally, further demonstrating our commitment to customer satisfaction. Since J.D. Power began recognizing Shelter in 2009, we have been significantly above the national average every year, with 2018 being an all-time high. Providing the best customer service is one of our four core principles to being a successful company.

Another of Shelter’s core principles is taking pride in the fact that we sell insurance products. 2018 saw further expansion for the ways we provide our insurance products. Twenty years ago in 1998, we utilized only captive agents in 13 states. Our surplus was \$719 million and our premiums were \$731 million. Ten years later in 2008, we added an independent agent channel through the purchase of Haulers Insurance® and we sold insurance in 15 states. Surplus was \$1.24 billion and premiums were \$1.04 billion. Today, we offer insurance products and services in 21 states, provide a direct-to-consumer channel through the Say Insurance® brand and

have added a new company, AmShield Insurance®, which uses independent agencies serving customers in the west. Our surplus has grown to almost \$2 billion and our premiums are now \$1.8 billion, an increase over 10 years of 60% and 66%, respectively. Shelter Reinsurance also continues to expand across the world, with premiums increasing from \$42 million in 1998 to \$119 million today. Shelter Life continues to grow, with insurance in force growing from \$8.5 billion 20 years ago to \$27.5 billion today. When adding Life premium to the property and casualty group, premiums are \$2 billion for the year.

Because of this growth, we are financially strong and have the capacity to absorb catastrophic events. Our surplus has increased in nine out of the past 10 years. We are using this capital to continue to build on the Say and AmShield initiatives as well as improve infrastructure. This strength also gives us the opportunity to enhance the customers’ experience, increase efficiency and enhance profitability, including the hiring of a Director of Innovation to report directly to President and COO Matt Moore. The goal of this position is to take advantage of innovation opportunities and address challenges facing Shelter Insurance® and the insurance industry. This will create an environment encouraging and challenging our organization to embrace innovation and encourage growth for the next 20 years and beyond.

A component of securing our future is the ability to attract and retain talented professionals. For the second year in a row, Shelter was awarded Best Places to Work by Business Insurance. This award demonstrates Shelter’s commitment to professional development and promoting leadership opportunities. We are committed to retaining our employees as demonstrated by our benefit plans, including both a profit sharing plan and a defined retirement plan. During the year we contributed \$30 million to the retirement plan, which is now 112% funded on a projected benefit obligation basis.

Lastly, Shelter is committed to the communities where we live and operate. Two employees were recognized for their efforts towards promoting diversity and cultural understanding in Columbia, Missouri. In addition, Shelter was recognized by the Columbia Missourian with the Progress Award for Corporate Citizenship for our philanthropy and employee volunteer efforts. Being a good corporate citizen and doing the right thing are the last of the four core principles which are critical to our overall success.

For 2018, all entities generated profitable revenue for the year. The year-to-date global net income before tax and dividends was \$142 million, an increase of \$36 million over 2017. The combined property and casualty (P&C) unit count grew to 2.2 million, an increase of 45,988. P&C earned premium grew 6.4% to \$1.8 billion and our retention of policies was stable. The year ended with an impressive 65% incurred loss ratio. The pre-event catastrophe reserves have grown to \$254 million at year-end. Shelter Life provided \$24 million of net income before tax. All in all, a very good year. This is the perfect opportunity to express gratitude on behalf of Shelter’s board of directors and officers to the employees, agents, vendors, and customers who made these results possible. We look forward to the ongoing innovative efforts which will position us for further growth and continued success in the future.

“

This is the perfect opportunity to express gratitude on behalf of Shelter’s board of directors and officers to the employees, agents, vendors, and customers who made these results possible.

”

– Rick Means, CEO & Board Chair



CURRENT BOARD OF DIRECTORS

COMMITMENT TO MANAGEMENT EXCELLENCE

Shelter Insurance Companies are governed by a nine-member Board of Directors empowered to provide policy decisions and general oversight of the Companies' operations. Key responsibilities include reviewing corporate strategy and business plans and appointing officers. Three directors are elected annually by policyholders at the annual policyholders' meeting. Each director is elected for a three-year term. In addition, the Board appoints four committees to directly assist the Board in fulfilling its responsibilities: the Investment Committee, the Executive and Compensation Committee, the Corporate Governance Committee, and the Audit Committee.

While all four committees are important, the Audit Committee in particular is charged with performing three functions: serving as an objective party to monitor Shelter's financial reporting process and internal control system; appointing, reviewing, and assessing the independent audit firm; and providing an avenue of open communication among the independent auditors, internal auditors, senior management, and the Board.

Other senior management committees are established according to critical management issues. These committees are overseen by executive management. The goal of the Board and other committees is to ensure a management structure that provides effective oversight and is responsive to key issues on behalf of the employees, agents, and customers of the Shelter Insurance Companies.



BOARD OF DIRECTORS



RICK L. MEANS
Chair and Director



ANDRÉS JIMÉNEZ
Director



J. DAVID MOORE
Director



DAVID R. MONDAY
Director



STEPHEN E. ERDEL
Director



MADISON "MATT" MOORE
Director



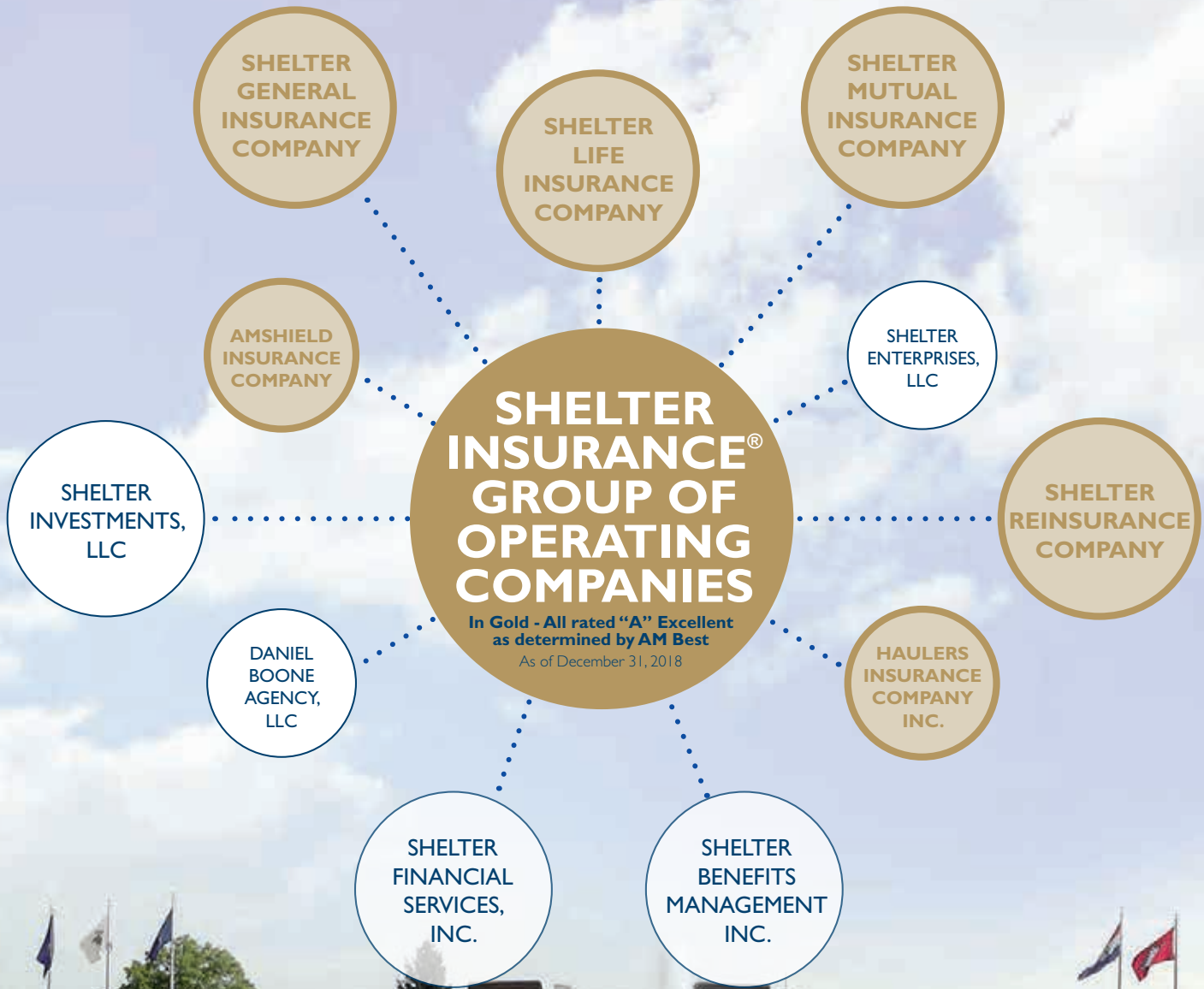
H. BAKER KURRUS
Director



RANDA RAWLINS
Director



PATRICIA COFFEY
Director



SHELTER INSURANCE® FINANCIAL STATEMENT

For more than 70 years, Shelter has provided a variety of insurance products and services to our customers. Shelter has grown to be one of the nation's most successful and financially sound regional insurance groups.



2,209,832

P&C UNIT COUNT

Up 243,883 over the past 5 years



\$1.8 Billion

P&C POLICY EARNED PREMIUM

5 year Annual growth of 4.29%



\$5.6 Billion

ASSETS UNDER MANAGEMENT

Up \$1.6 Billion in last 5 years



\$1.99 Billion

SHELTER MUTUAL SURPLUS

5 year Annual growth of 4.87%



4,100+

EMPLOYEES & AGENTS

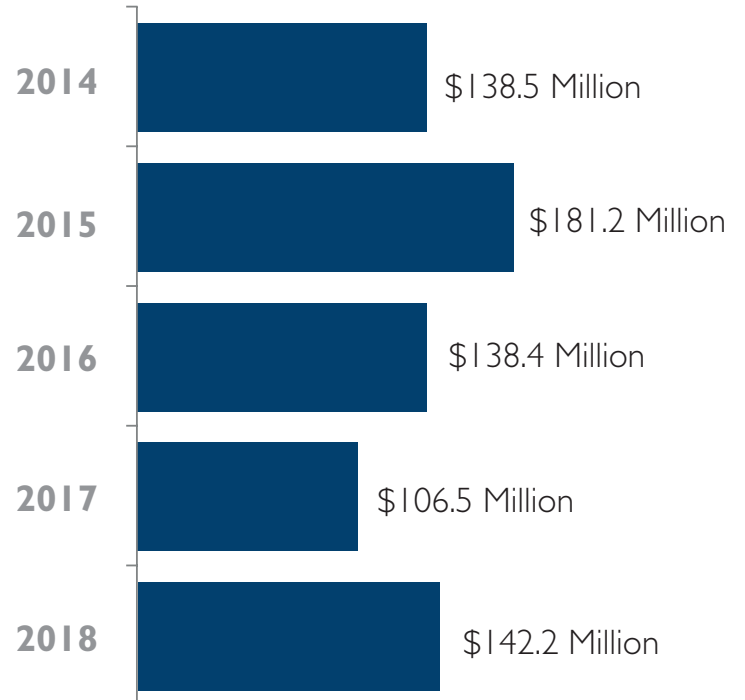


21

OPERATING STATES

Added 3 in past 5 years

COMBINED INCOME BEFORE TAX



MUTUAL AND GENERAL OPERATIONS

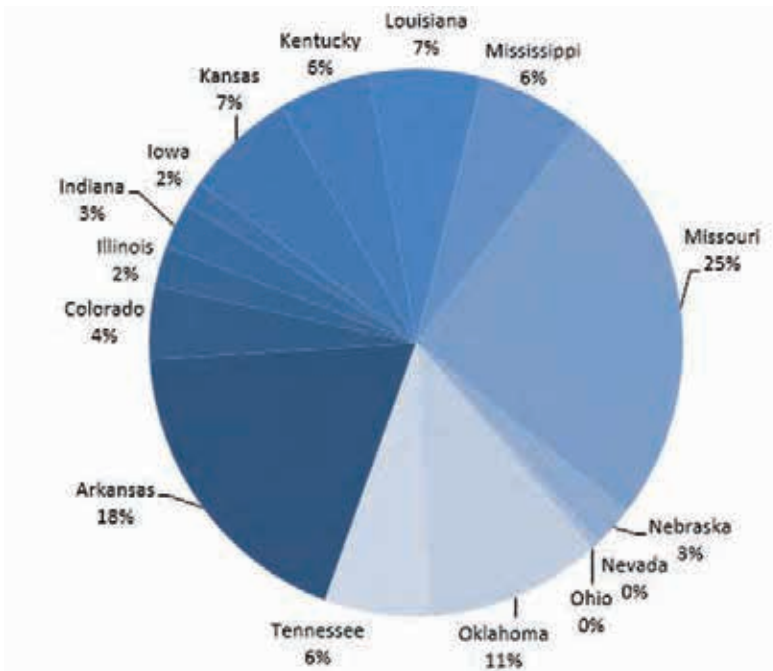
Net direct written premiums before reinsurance assumed increased 6.2% compared to 2017 and were \$1.69 billion for the Mutual and General operations. Premiums have continued to rise over the past few years due to stable retention and indicated rate increases. For the past five years, these two companies have issued almost 1.855 million new policies.

Incurred weather losses were much less than anticipated this year. For the 2018 accident year, such losses and adjustment expenses were \$251 million, representing 15% of earned premiums, down from 19% last year. Non-weather losses were around \$786 million, up \$69 million from 2017, mainly due to a higher frequency and the severity of these types of claims. In the past five years, Mutual and General incurred \$4.9 billion of losses, representing 949,796 claims reported and an average \$5,117 per claim, a testament to servicing our customers in their time of need.

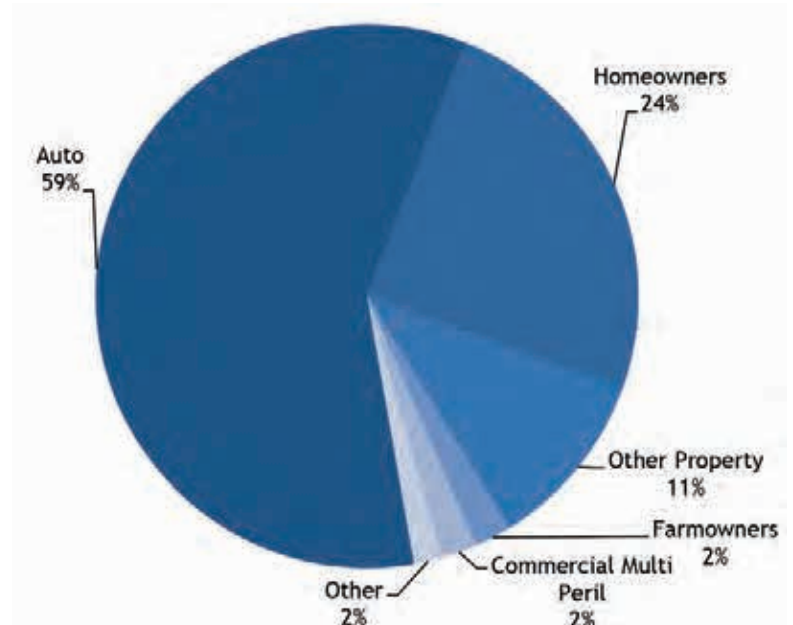
These entities have a permitted practice to build voluntary catastrophe reserves for both a major weather event and a significant earthquake. During 2018, more than \$27 million was added to the voluntary pre-event reserves, which added 1.7% to the combined ratio. In total, there is \$120 million in the earthquake reserve and \$134 million in the weather reserve available for future use. Seven years of consecutive additions to the weather reserve has allowed it to increase quite substantially.

The total underwriting loss was \$14.5 million, representing a 100.1% combined ratio. Strong investment gains contributed greatly to these operations during 2017. Net income before tax ended at \$112 million. Going forward, Shelter will continue its expansion into the state of Ohio with auto and homeowners. The Say Insurance® brand will focus on developing a strong customer base to offer auto insurance with the direct-to-consumer model.

MUTUAL & GENERAL
WRITTEN PREMIUM BY STATE



MUTUAL & GENERAL
WRITTEN PREMIUM BY LINE
OF BUSINESS



SHELTER MUTUAL AND SHELTER GENERAL PROPERTY AND CASUALTY PRODUCTS

Shelter's exclusive agents offer the following property and casualty products:

AUTO	PROPERTY	LIABILITY	BUSINESS
Private Passenger Auto Commercial Auto Motorcycle Recreational Vehicle	Homeowners Mobile Homeowners Farmowners Dwelling Fire Farm Fire Apartment Owners Personal Inland Marine Boatowners	Personal Umbrella General Liability Comprehensive Farm Liability	Business Owners Commercial Fire Commercial Inland Marine Cargo



\$254 Million

PRE-EVENT RESERVES

Funds set aside for future event,
added layer of conservatism



\$112 Million

NET INCOME BEFORE TAX



399,780

POLICIES ISSUED

5 YEAR CLAIMS BY THE NUMBERS

\$4.9 Billion

5 YEAR LOSSES INCURRED

Funds reinvested in our communities
to serve our customers

949,796

5 YEAR CLAIMS REPORTED

Number of claims reported
during the past 5 years

\$5,117

AVERAGE \$ PAID PER CLAIM

Average paid amount over
the past 5 years

SHELTER MUTUAL INSURANCE COMPANY

Statements of Admitted Assets, Liabilities, and Surplus
(Statutory Basis)

YEAR ENDED DECEMBER 31

(IN THOUSANDS)	2018	2017
ADMITTED ASSETS		
BONDS	\$ 1,895,330	\$ 1,797,376
INVESTMENTS IN AFFILIATES	743,017	702,533
COMMON STOCKS, UNAFFILIATED	296,847	325,492
OTHER INVESTED ASSETS	377,841	308,279
REAL ESTATE	40,323	36,318
CASH AND SHORT-TERM INVESTMENTS	(40,117)	(32,942)
TOTAL CASH AND INVESTED ASSETS	3,313,241	3,137,056
PREMIUMS RECEIVABLE	160,572	156,609
DEFERRED INCOME TAX ASSET	32,242	35,566
OTHER ASSETS	27,737	30,314
ACCRUED INVESTMENT INCOME	11,864	14,741
INCOME TAX RECOVERABLE	10,348	6,850
TOTAL ADMITTED ASSETS	\$ 3,556,004	\$ 3,381,136
LIABILITIES AND SURPLUS		
UNEARNED AND ADVANCE PREMIUMS	\$ 601,226	\$ 580,200
UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES	545,231	523,140
CATASTROPHE RESERVES	251,509	224,366
ACCRUED EXPENSES	75,214	70,710
OTHER LIABILITIES	55,931	56,632
BORROWED FUNDS	39,369	5,401
TOTAL LIABILITIES	1,568,480	1,460,449
TOTAL POLICYHOLDERS' SURPLUS	1,987,524	1,920,687
TOTAL LIABILITIES AND SURPLUS	\$ 3,556,004	\$ 3,381,136

SHELTER GENERAL INSURANCE COMPANY*

Statements of Admitted Assets, Liabilities, and Net Worth
(Statutory Basis)

YEAR ENDED DECEMBER 31

(INTHOUSANDS)		2018		2017
ADMITTED ASSETS				
BONDS	\$	116,659	\$	102,583
INVESTMENTS IN AFFILIATES		9,733		9,225
OTHER INVESTED ASSETS		4,010		3,751
CASH AND SHORT-TERM INVESTMENTS		(1,087)		920
TOTAL CASH AND INVESTED ASSETS		129,315		116,479
PREMIUMS RECEIVABLE		8,036		7,223
OTHER ASSETS		1,761		1,997
INCOME TAX RECOVERABLE		2,071		1,805
TOTAL ADMITTED ASSETS	\$	141,183	\$	127,504
LIABILITIES AND NET WORTH				
UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES	\$	47,898	\$	46,554
UNEARNED AND ADVANCED PREMIUMS		17,967		16,794
OTHER LIABILITIES		4,422		2,105
CATASTROPHE RESERVES		2,566		2,203
ACCRUED EXPENSES		1,975		1,087
TOTAL LIABILITIES		74,828		68,743
NET WORTH		66,355		58,761
TOTAL LIABILITIES AND NET WORTH	\$	141,183	\$	127,504

* INCLUDING SAY INSURANCE®

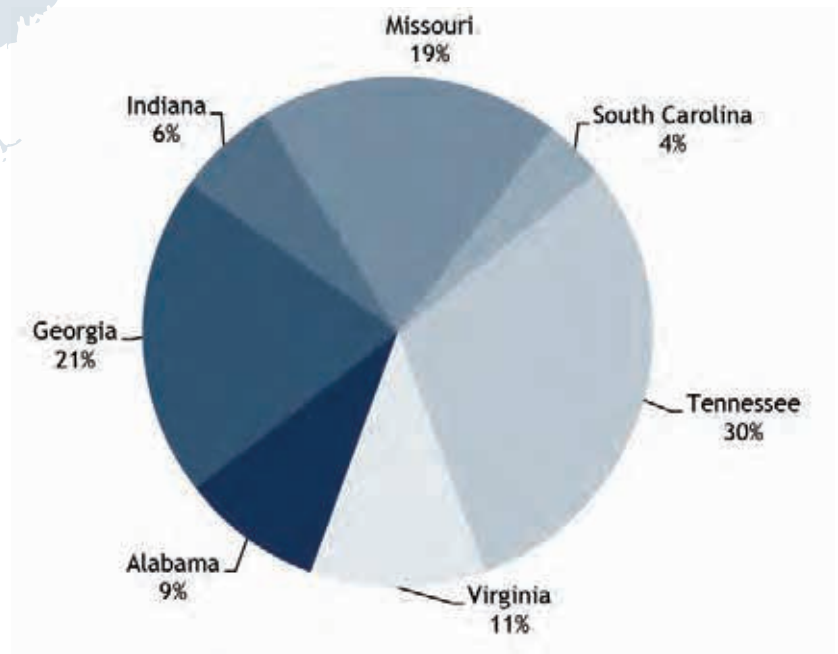
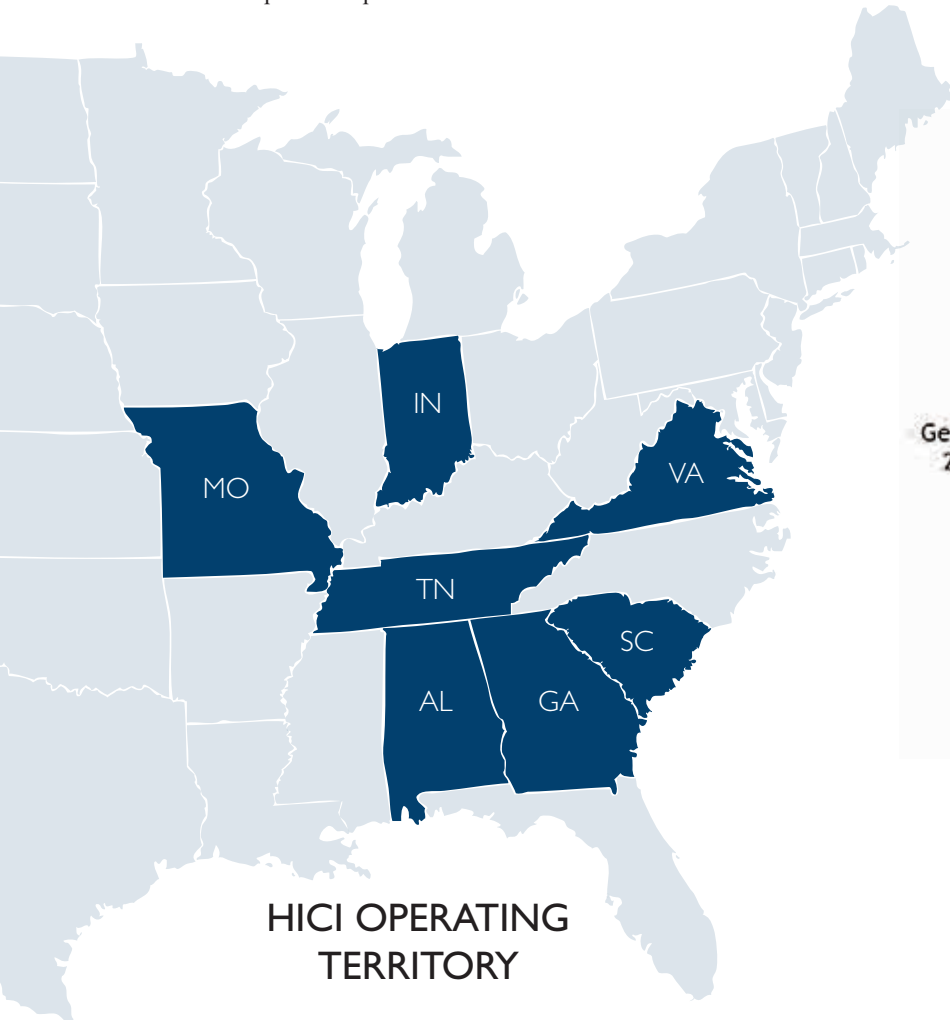
HAULERS INSURANCE COMPANY, INC. (HICI)

Written premiums were more than \$41 million, an increase of 2.6% driven mainly by additional policy count in Alabama and Missouri. HICI recently expanded renters insurance into two additional states, Missouri and Alabama. The Company also offers personal auto, motorcycle insurance, and commercial auto.

Incurred losses of \$22 million were much improved over the previous year. Haulers is covered by an aggregate stop-loss reinsurance agreement with its parent, Shelter Mutual, which provides protection if Haulers' loss ratio exceeds

57.5%. This agreement helps HICI provide more consistent underwriting results year over year. The overall underwriting gain for the year was \$1 million and net income before tax was \$5.1 million. Over the past five years, HICI has consistently grown its written premium, surplus and asset levels. During 2018, Haulers paid a \$4.3 million dividend to Mutual.

HICI received a financial strength rating of A (Excellent) by AM Best. The Company's premium to surplus ratio was a respectable 95%, a strong position for a predominately auto insurance writer.



HICI
WRITTEN PREMIUM
BY STATE

HAULERS INSURANCE COMPANY, INC.

Statements of Admitted Assets, Liabilities, and Net Worth
(Statutory Basis)

YEAR ENDED DECEMBER 31

(IN THOUSANDS)	2018		2017	
ADMITTED ASSETS				
BONDS	\$	64,150	\$	61,548
CASH AND SHORT-TERM INVESTMENTS		2,467		1,017
REAL ESTATE		830		853
OTHER INVESTED ASSETS		452		
TOTAL CASH AND INVESTED ASSETS		67,899		63,418
PREMIUMS RECEIVABLE		8,508		8,149
ACCRUED INVESTMENT INCOME		351		518
OTHER ASSETS		1,283		5,721
TOTAL ADMITTED ASSETS	\$	78,041	\$	77,806
LIABILITIES AND NET WORTH				
UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES	\$	19,536	\$	20,694
UNEARNED AND ADVANCED PREMIUMS		13,325		12,587
OTHER LIABILITIES		2,056		1,713
TOTAL LIABILITIES		34,917		34,994
NET WORTH		43,124		42,812
TOTAL LIABILITIES AND NET WORTH	\$	78,041	\$	77,806



3.5%
TOTAL ASSETS



3.87%
EARNED PREMIUM



3.82%
SURPLUS

5 YEAR ANNUAL GROWTH

SHELTER LIFE INSURANCE COMPANY

Premium and annuity considerations for Shelter Life increased 4.6% over the previous year to almost \$137 million. The Company has added \$4.9 billion to life insurance in force in the past five years, with ending in force of \$27.5 billion.

Even though asset balances have grown \$195 million during the past five years due to good cash flows, the continued low interest rate environment has negatively affected overall yields to the investment portfolio and hence net investment income was reported at \$40 million. The continued low interest rate environment also drove the need for the Company to maintain asset adequacy reserves for a total of \$27.5 million, although there were no additions during 2018. Shelter Life has recorded more than \$82 million of net income before tax over the past five years.

Shelter Life continues to hold a financial strength rating of A (Excellent) by AM Best. This rating provides further evidence of the strength and stability of Shelter Life Insurance Company.

LIFE PRODUCTS OFFERED

20-Pay Whole Life
EZ Term[®]

Junior Special

Level Term to Age 100 (10, 20, 30 years)

Platinum Shield[®] IV Universal Life

Secure Whole Life
Shelter Express Term[®]
Whole Life
Yearly Renewable Term



\$1.274 Billion

TOTAL ASSETS

Increase of \$195 Million during the past 5 years



\$27.5 Billion

INSURANCE IN FORCE

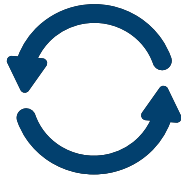
*Total value of active insurance policies
Increase of \$4.9 Billion over the past 5 years*



\$231 Million

SURPLUS

Increase of \$49 Million over the past 5 years



95.60%

LIFE RETENTION

Percentage of policies renewing in current year



\$24 Million

NET INCOME BEFORE TAX

*Recorded more than \$82 Million
over the past 5 years*



\$137 Million

PREMIUM CONSIDERATIONS

\$630 Million during the past 5 years

SHELTER LIFE INSURANCE COMPANY

Statements of Admitted Assets, Liabilities, and Net Worth
(Statutory Basis)

YEAR ENDED DECEMBER 31

(INTHOUSANDS)	2018	2017
ADMITTED ASSETS		
BONDS	\$ 1,069,925	\$ 1,080,787
OTHER INVESTED ASSETS	64,474	44,779
POLICY LOANS	23,056	23,236
INVESTMENTS IN AFFILIATES	8,849	8,387
MORTGAGE LOANS ON REAL ESTATE, AFFILIATED	31,700	7,866
CASH AND SHORT-TERM INVESTMENTS	9,936	5,754
TOTAL CASH AND INVESTED ASSETS	1,207,940	1,170,809
DEFERRED AND UNCOLLECTED PREMIUMS	42,316	40,083
DEFERRED TAX ASSETS	9,546	9,829
ACCRUED INVESTMENT INCOME	7,967	9,280
OTHER ASSETS	6,154	6,584
TOTAL ADMITTED ASSETS	\$ 1,273,923	\$ 1,236,585
LIABILITIES AND NETWORTH		
AGGREGATE RESERVES	\$ 953,210	\$ 935,005
LIABILITY FOR DEPOSIT TYPE CONTRACTS	56,442	57,243
ASSET VALUATION RESERVE	7,114	8,980
POLICY AND CONTRACT CLAIMS	6,962	7,533
DUE TO AFFILIATED COMPANIES	2,527	3,904
OTHER LIABILITIES	16,700	17,418
TOTAL LIABILITIES	1,042,955	1,030,083
NET WORTH	230,968	206,502
TOTAL LIABILITIES AND NET WORTH	\$ 1,273,923	\$ 1,236,585

SHELTER REINSURANCE COMPANY

Shelter Reinsurance continues to provide the Shelter Insurance group returns in the areas of growth and diversification. Net written premiums were \$118 million, similar to last year due to a soft market. During 2018, Reinsurance experienced an estimated \$40 million in net incurred losses because of hurricanes and California wildfires. The Company also experienced a positive impact to profit and net worth due to changes in foreign exchange rates. Overall, the Company experienced an \$8.6 million underwriting loss, but a \$6.2 million net income before tax. Prior to 2017 and 2018, Reinsurance had recorded five straight years of favorable underwriting results. The five-year average underwriting gain was \$17.3 million.

Reinsurance has a continued reputation for prompt claims payment, exceptional customer service, professional staff, and solid financial strength, which enables it to continue to diversify and support Shelter Insurance®.



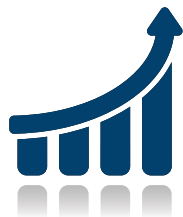
\$119 Million

WRITTEN PREMIUM
Amount consistent with 2017



\$6.2 Million

2018 NET INCOME
BEFORE TAXES



\$98 Million

7 YEAR UNDERWRITING GAIN
Average of \$14 Million per year



\$494 Million

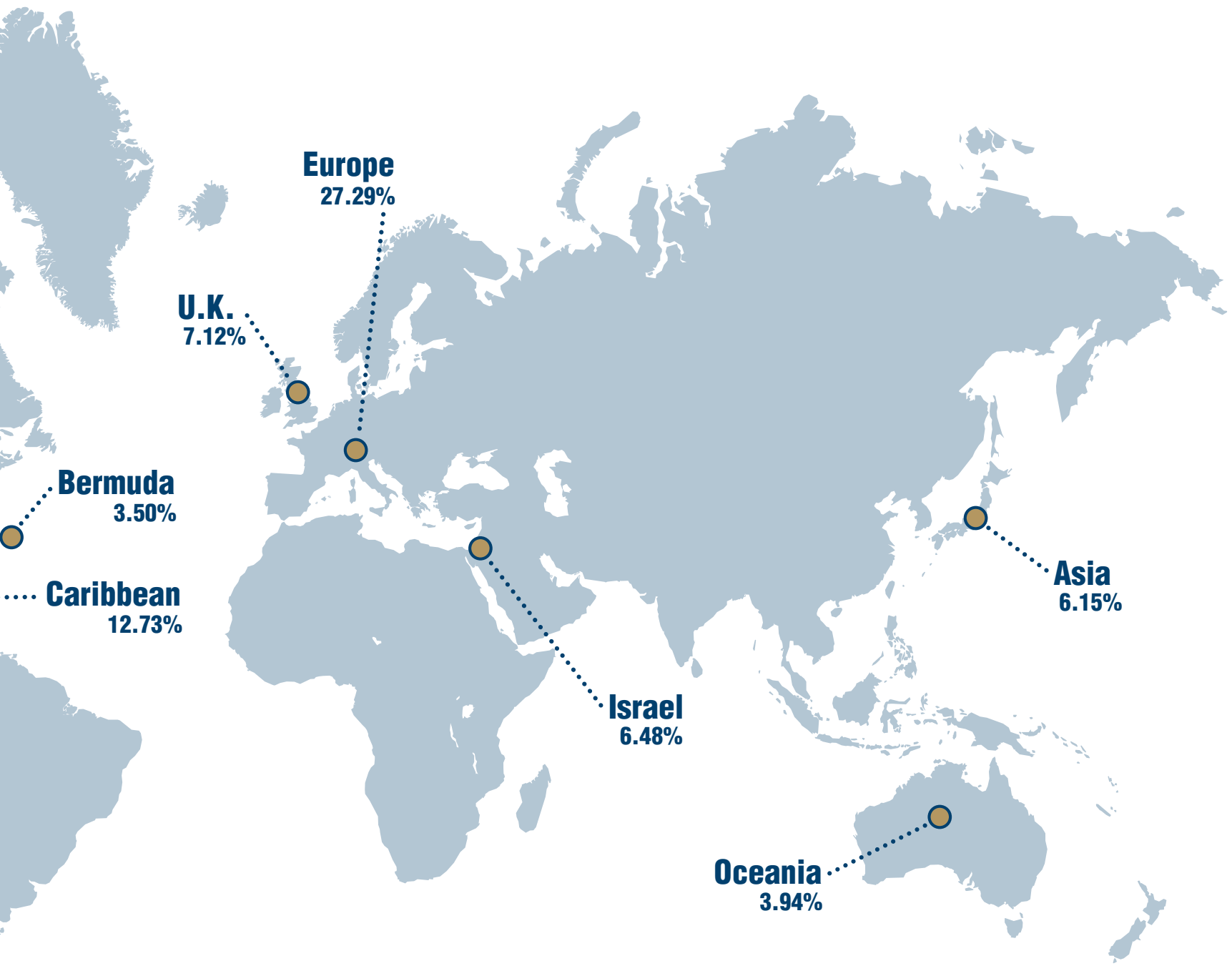
TOTAL ASSETS
Increase of \$111 Million in past 5 years



\$326 Million

ENDING SURPLUS
Increase of \$81 Million in past 5 years





Europe
27.29%

U.K.
7.12%

Bermuda
3.50%

Caribbean
12.73%

Israel
6.48%

Asia
6.15%

Oceania
3.94%

SHELTER REINSURANCE COMPANY

Statements of Admitted Assets, Liabilities, and Net Worth
(Statutory Basis)

YEAR ENDED DECEMBER 31

(IN THOUSANDS)		2018		2017
ADMITTED ASSETS				
BONDS	\$	418,262	\$	398,248
COMMON STOCKS		31,354		31,266
CASH AND SHORT-TERM INVESTMENTS		8,457		16,980
OTHER EQUITY INVESTMENTS, AFFILIATED		811		742
TOTAL CASH AND INVESTED ASSETS	\$	458,884	\$	447,236
FUNDS HELD ON REINSURANCE		17,985		14,407
ACCRUED INVESTMENT INCOME		2,467		3,349
DEFERRED TAX ASSET		1,437		1,409
PREMIUMS RECEIVABLE		11,922		6,209
OTHER ASSETS		1,338		261
TOTAL ADMITTED ASSETS	\$	494,033	\$	472,871
LIABILITIES AND NET WORTH				
UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES	\$	126,718	\$	123,296
UNEARNED PREMIUM		22,847		23,187
OTHER LIABILITIES		18,076		4,892
TOTAL LIABILITIES		167,641		151,375
NET WORTH		326,392		321,496
TOTAL LIABILITIES AND NET WORTH	\$	494,033	\$	472,871

OFFICERS



RICK L. MEANS
Chief Executive Officer
& Board Chair



**MADISON "MATT"
MOORE**
President,
Chief Operating Officer



S. DANIEL CLAPP
Executive Vice President



TERESA K. MAGRUDER
Executive Vice President
& Treasurer



RANDA C. RAWLINS
Executive Vice President



ROCKNE P. CORBIN
Senior Vice President
& Managing Director
Shelter Reinsurance Company



TINA M. WORKMAN
Vice President
Accounting
& Assistant Treasurer



JOHN T. ROONEY
Vice President
Information Services



SHAWN KNAUTS
Vice President
Claims



DAVID N. ABBOTT
Vice President
Investments



FRANK THOMPSON IV
Vice President
Marketing



PAUL J. LAROSE
Vice President
Shelter Benefits Management Inc.



TODD J. WEYLER
Vice President
Underwriting



**H. LLOYD
MONTGOMERY, JR.**
Vice President
Alternate Channels



MARSHA L. CARTER
Vice President & General Manager
Shelter Life Insurance Company



BRIAN D. WALLER
Vice President of
Government Relations



DAVID VANDYKE
Secretary &
General Counsel

Shelter Insurance® Ranked #1 for the Second Time in Three Years by J. D. Power

In 2018, J. D. Power once again ranked Shelter Insurance® “Highest in Customer Satisfaction among Auto Insurers in the Central Region” in their U.S. Auto Insurance Study. This study asked consumers to provide feedback about their overall satisfaction with their auto insurance company in the following study factors: Interaction, Policy Offerings, Price, Billing Process, Policy Information, and Claims. The study took place from February through April 2018 and study results are available at JDPower.com.

Shelter received this recognition in 2016 as well. “We’re thrilled to receive this recognition from our customers,” said Rick Means, CEO and Chair of the Board of Directors. “To receive this two out of the last three years is a testament to the importance we have placed on exceptional customer service. We appreciate the hard work of the agents and employees who made this possible and are grateful to our customers for their trust.”



Shelter Continues to Lead Industry Changes in 2018

Shelter’s Legislative Success

Shelter maintained its focus on effectuating positive change in the insurance industry through its legislative efforts in 2018, the culmination of which was the passage of Missouri House Bill 1531. This new law protects insurance companies from bad faith exposure in situations with clear liability where the value of multiple claims exceed the policy limits if the insurer: files an interpleader action (a court action to determine how the policy limits should be apportioned), pays the policy limits into court and continues to defend its insured in good faith until the matter is resolved.

This fair and equitable settlement method received impressive, and unusual, bipartisan support in the Senate, where it passed on a vote of 32-0. Strong support continued in the House, with a vote of 110-34.

Shelter has now written and passed a law in each of the last two legislative sessions in Arkansas and Missouri. The generous dedication and commitment of Shelter’s agents and employees to our numerous political action committees (PACs) and strong grassroots organization — the many phone calls made and emails sent to legislators — has been vital to all of our legislative successes.

Shelter’s Government Relations

Shelter’s leadership continues to develop and grow ever stronger relationships with the elected officials who pass our laws, guide our states, and regulate our industry.



ABOVE, FROM LEFT: ARKANSAS CHIEF DEPUTY COMMISSIONER OF INSURANCE RUSS GALBRAITH, SHELTER INSURANCE® VICE PRESIDENT OF GOVERNMENT AFFAIRS BRIAN WALLER, ARKANSAS GOVERNOR ASA HUTCHINSON, AND ARKANSAS COMMISSIONER OF INSURANCE ALLEN KERR

BELOW, FROM LEFT: SHELTER INSURANCE® VICE PRESIDENT OF GOVERNMENT AFFAIRS BRIAN WALLER, SHELTER INSURANCE® PRESIDENT AND COO MATT MOORE, MISSOURI GOVERNOR MIKE PARSON, AND SHELTER INSURANCE® CHAIRMAN AND CEO RICK MEANS



Shelter Adopts Principles of Community, a Commitment to Inclusive Excellence

Shelter Insurance® has adopted the Principles of Community, a statement of Shelter's commitment to Inclusive Excellence. The principles outline Shelter's affirmation of the inherent dignity and value of every person, the value of human diversity, and the rejection of all forms of prejudice and discrimination.

Shelter's CEO and Chairman of the Board Rick Means and President and COO Matt Moore signed the Principles of Community on August 30, 2018. Rick Means stated, "Shelter's success is dependent on how well we value, engage, and include the rich diversity of all of our employees. Adopting the Principles of Community and implementing the Inclusive Excellence Model provides the foundation for us to become a more diverse and inclusive company."

"The Principles of Community has done a great job of uniting the organizations and businesses in Columbia to help state the importance and value of a diverse workforce. It goes to the core of valuing each individual and understanding the strength that is brought when different thoughts, experiences, and ideas are brought together for a common purpose," said Matt Moore.



MATT MOORE AND RICK MEANS WITH SIGNED PRINCIPLES OF COMMUNITY



PAUL LAROSE, STACYE SMITH AND BRIAN JONES SIGNING PRINCIPLES OF COMMUNITY

Shelter Insurance® Named in Annual Best Places to Work in Insurance

In 2018, Shelter Insurance® was named in *Business Insurance's* annual list of the Best Places to Work in Insurance program for the second year in a row. This program recognizes employers in the insurance industry for their outstanding performance in establishing workplaces where employees can thrive, enjoy their work, and help their companies grow. Shelter was previously named in the publication's 2017 Best Places to Work in Insurance feature.

"It was an honor to be recognized for this award last year, but it is extremely satisfying to be recognized again this year. It's a testament to the hard work and dedication of our employees to make Shelter an employer of choice," said Vice President of Shelter Benefits Management Inc. Paul LaRose. "We will continue to challenge ourselves to strive to be the best company that we can for our employees and our customers."

Companies named to the list completed a two-part assessment — an Employer Benefits & Policies questionnaire and a separate, anonymous Employee Engagement & Satisfaction Survey. The data from the surveys is analyzed to determine which companies will make the list. The 2018 report featured 75 companies of various sizes, from 25 employees to more than 4,000.



AWARD WINNERS — 2017 | 2018

Mississippi State Office and the Las Vegas Branch Hold Open Houses to Celebrate New Buildings

Shelter's growth over the last several years has created the need for new buildings in Mississippi and Las Vegas. The new building for the Mississippi State Office was completed in 2018, and an open house was held on October 22, 2018 to celebrate. In his address to those who gathered for the celebration, Commissioner of Insurance for the State of Mississippi, Mike Chaney, commended Shelter for being the only insurer not domiciled in Mississippi to have a claims office in the state. He also praised Shelter's efforts to deliver great service to Mississippi customers and doing business the right way. Ridgeland Mayor Gene McGee addressed the crowd and thanked the companies for choosing to do business in Ridgeland.

President and COO Matt Moore thanked all of the Shelter employees for their hard work in making the building a reality and introduced CEO and Chairman of the Board, Rick Means, who reflected on the growth the company has seen in Mississippi in recent years, as well as Shelter's commitment to the employees and

agents of Mississippi. Everyone then gathered for a ribbon-cutting ceremony, where Mayor McGee officially opened the office for business.

The Las Vegas branch also held a ribbon-cutting to celebrate the move of call center operations to the new branch office. President and COO Matt Moore, Vice President of Alternate Channels Lloyd Montgomery, and Director of Customer Services Tom Klenke, attended the event, along with several other members of Shelter's Home Office management team. Matt Moore offered a brief company update and a history of Shelter's beginnings in Nevada, as well as his hopes for its continued success. Next, Lloyd Montgomery spoke about Shelter's marketing presence in the West, his relationship with Customer Services, and the phenomenal growth of the call center operation throughout the years. Tom Klenke then acknowledged the contributions of many hard-working individuals tied to the project.



ABOVE: RIBBON-CUTTING AT THE MISSISSIPPI STATE OFFICE



ABOVE: RIBBON-CUTTING AT THE NEW LAS VEGAS BRANCH OFFICE

AmShield Insurance® Expands to Oregon

AmShield Insurance®, Shelter's newest subsidiary, began operating in Arizona in late 2017. The company experienced growth in both agency representation and policy count in the state during 2018. AmShield expanded business to Oregon before year-end and began issuing the first policies within the first week in January, 2019.

AmShield further diversifies risk for Shelter by selling property and casualty insurance through independent agents in western states. Plans are underway to move Haulers Insurance® into AmShield during the next few years.

Product offerings include auto, homeowners, renters, and condominium, with additional products coming in future years. The Company is rated "A" for Excellent by AM Best.





Shelter Breaks Ground for New Campus Building

Employees gathered for a ribbon-cutting and groundbreaking ceremony with the Columbia Chamber of Commerce on June 12, 2018 to celebrate the addition of a separate new building north of the existing home office. Dubbed the “North Campus Facility,” the new building will house the Columbia Claims Branch, the Warehouse, Document Services, Printing, and Records and Mailing Operations.

Other operational departments, including Accounting, Reinsurance, and Investments, currently located in the existing home office (South Campus Facility), will relocate to the North Campus Facility to alleviate some of the existing space issues and create opportunity for more innovative work areas.

The new building will also feature a Distribution Center which:

- Improves loading dock capabilities and accessibility
- Consolidates materials handling
- Streamlines print to ship capabilities
- Secures package pick-up for employees
- Alleviates incoming mail risk with an independent ventilation system

A number of energy-saving components are being incorporated into the construction of the new facility, including:

- Energy efficient air-to-air systems for heating and cooling
- Solar panels for producing energy to offset electrical usage while reducing carbon emissions
- Natural lighting coupled with energy-efficient lighting throughout the facility to conserve electricity
- Dedicated storm water retention area and underground storage for slowing and cleansing water leaving the Shelter campus

The first phase of the construction plan began with the expansion of the parking lot west of the Home Office, which was completed during 2018. The new North Campus Facility is scheduled for full occupancy in 2020.

Say Insurance® Shows Continued Success

Say Insurance® launched its direct-to-consumer channel for auto insurance in 2016. Although the business is written in subsidiary Shelter General, the “Say Insurance®” brand was chosen for the best appeal to those consumers who want to purchase direct. Say was initially launched in Illinois and then expanded to Missouri, Colorado, Tennessee, and Kansas. During 2018, Say focused on digital marketing efforts and the customer experience to build brand awareness and increase policy sales.

Much of Say’s current success stems from staying true to its brand mission: to provide an insurance experience that is transparent, clear, and simple. One way this is accomplished is providing consumers with their insurance score, including easy-to-understand explanations of how the score impacts his or her premium rate. In addition, Say’s efforts have been focused on simplifying purchasing and servicing auto insurance in a digital environment.



MARKETING CONFERENCE AWARDS



ABOVE: COMPANY AGENT OF THE YEAR — RICHARD & BOB CARGILE
FROM LEFT: AGENT BOB CARGILE; AFFILIATE AGENT ANDREW CARGILE; AFFILIATE AGENT DEI BRYANT;
AFFILIATE AGENT ANDY SILLS; AND AGENT RICHARD CARGILE

Each year, Shelter Insurance® holds its Conference of Champions to recognize the top-performing agents in various areas during a qualifying period. The 2018 Conference of Champions was held at the La Quinta Resort & Club in La Quinta, California. Champions were recognized for their achievements during the Awards Gala. The evening ended with the announcement of the Company Agent of the Year, Richard and Bob Cargile with Dei Bryant (Affiliate), Andy Sills (Affiliate), and Andrew Cargile (Affiliate).

Shelter recognized other agents who received special awards during the Gala, including the State Agents of the Year, District Sales Manager of the Year, Rookie of the Year, President Plaque, and Life Stars.

The President's Plaque is presented to the Conference of Champions qualifying agent who issued at least 40 life policies and the most net first-year traditional and universal life premiums as counted for Conference qualification. The Life Star Awards have the same criteria but are presented to the top 10 qualifying agents. In 2018, the Cargiles received the President's Plaque and a Life Star award.

The District Sales Manager of the Year was Trey Branch of Hot Springs, Arkansas.

RIGHT: DISTRICT SALES MANAGER
OF THE YEAR, TREY BRANCH

State Agent of the Year Award

Richard & Bob Cargile - Arkansas

Denny Sevene - Colorado

Gabe Ritchart - Illinois

Doug Hazen - Indiana

Joe Yamen - Iowa

Trevor Harris - Kansas

Steve Jones - Kentucky

Rhonda Landry - Louisiana

Kyle Nichols - Mississippi

Kyle Mack - East Missouri

Chris Hammen - West Missouri

Jeb Brant - Nebraska
(Joe Kindig, Affiliate)

Joe Howard - Oklahoma
(Jami Ward, Affiliate)

Lauren Hahs-Gilchrist - Tennessee

Life Star Award

Richard Cargile - Arkansas

Bobby Lawrence - Louisiana

Joe Yamen - Iowa

Michael Crews - Mississippi

Jeb Brant - Nebraska

Jay Norman - Tennessee

Aaron Ruiz - Oklahoma

Amy Price - Oklahoma

Joe Howard - Oklahoma



ANNUAL BRANCH OF EXCELLENCE AWARDS

Each year, the Claims Department honors its top three branch offices with Branch of Excellence awards. These awards are based on several goals for each branch that include categories for its contributions to the four legs of Shelter's vision:

WE SELL INSURANCE.
SERVE OUR CUSTOMERS.
HELP OUR COMMUNITIES.
DO THE RIGHT THING.

The number of claims handled continued to grow in 2018, and the entire department provided outstanding claims service in response. However, three branches excelled. The 2018 Branch of Excellence Awards were presented to Little Rock, Arkansas, in the Southern Region; Topeka, Kansas, in the Western Region; and Columbia, Missouri, in the Central Region. These branches showed excellent statistical success; but even more important, they exemplified outstanding customer service and teamwork.

Branch managers were awarded a plaque commemorating this significant accomplishment and each employee received a small token of appreciation during the branch celebration.



ABOVE: TERRY MARTIN, LITTLE ROCK
BRANCH CLAIMS MANAGER,
ACCEPTS THE SOUTHERN REGION
BRANCH OF EXCELLENCE AWARD



ABOVE: BILL ORESKOVICH, COLUMBIA
BRANCH CLAIMS MANAGER,
ACCEPTS THE CENTRAL REGION
BRANCH OF EXCELLENCE AWARD



ABOVE: AARON MEEK, TOPEKA
BRANCH CLAIMS MANAGER,
ACCEPTS THE WESTERN REGION
BRANCH OF EXCELLENCE AWARD



DIVERSITY INTERNSHIP PROGRAM CELEBRATES 30 YEARS

The Shelter Diversity Internship Program celebrated 30 years in 2018. To celebrate this milestone, a Diversity Internship Program Banquet was held to honor the founders of the program, retired employees Charles Allen and Cliff Nevins. 267 interns have participated in this program through the years, and 50 past and present diversity interns attended the celebration along with members of the Shelter leadership team, community partners, and the program's founders. The evening featured a performance by LaMont Walker, Medical Payments Examiner, along with words from former interns Tristan Robinson, now a Shelter Agent in Little Rock; and Dr. Starla Green-Ivey, associate professor at University of Missouri. Charles and Cliff received standing ovations after sharing some of their experiences with the program.

In recognition of this milestone, a brick honoring the 30th anniversary was placed in Shelter Gardens. During the event, Brian Jones, Shelter's Manager of Diversity and Inclusion, announced the creation of the Allen-Nevins Most Outstanding Intern Award. This is a \$500 award to be given annually to the top intern based on the intern's performance during the internship, their pitch contest performance, and supervisor evaluations. The first winner of this prestigious award was Michelle Gregory-Revis from Shelter Life Insurance Company.



ABOVE: SHELTER'S DIVERSITY INTERNSHIP PROGRAM FOUNDERS CHARLES ALLEN AND CLIFF NEVINS WITH THEIR SPOUSES AND STACYE SMITH

Reverse Mentoring Program Enters Fifth Year

Reverse Mentoring pairs a junior employee with a Shelter leader, allowing them to learn from each other and build experiences that benefit both employees. Since its establishment in 2013, there have been 30 successful pairings at Shelter. The Reverse Mentoring Program entered its fifth year in 2018.

The first of two sessions ran January through April and had 12 participants. Pairs were matched with an emphasis on generational differences. This session was similar to those held in previous years. Shelter leaders focused on improving technical skills, while the junior members obtained career advice.

The second session consisted of 22 participants. It began in late September 2018 and ran through February 2019. The focus of this session was the adoption of new technology at Shelter, specifically Office 365 (O365). O365 Champions were paired with senior management to help them become acquainted with Skype for Business and O365. This program was broken down into two phases due to the timing of how the technology was rolled out.

In both the spring and fall sessions, the groups participated in networking events and community involvement activities.



Stacye Smith and Brian Jones Honored at the Columbia Values Diversity Celebration

Shelter's Director of Human Resources Stacye Smith and Manager of Diversity and Inclusion Brian Jones were co-recipients of the 2018 Columbia Values Diversity Award at the 25th Annual Columbia Values Diversity Celebration held in January 2018.

The Columbia Values Diversity Awards are presented to individuals and organizations that have made significant contributions toward promoting appreciation for diversity and cultural understanding in Columbia. The purpose of this annual celebration is to bring people together from the entire community to share breakfast and a special program honoring the life and teachings of Dr. Martin Luther King, Jr.

Columbia Mayor Brian Treece presented the award, citing Brian and Stacye's significant community involvement and contributions to a variety of committees and charitable activities.

Vice President of Shelter Benefits Management Inc. (SBMI) Paul LaRose was on hand for the award presentation. Stacye and Brian are both members of Paul's team, and he was happy to see them singled out for this award. "We are so pleased to see them receive this award," Paul said. "They work very hard helping both Shelter and our community, and it was wonderful to see them recognized like this."



Employee Resource Groups Grow and Thrive in 2018

Since 2013, Shelter has formed several Employee Resource Groups (ERGs) in an effort to give Shelter Employees and Agents opportunities for personal and professional growth.

EMERGING Professionals Network at Shelter Insurance®

The first and largest ERG is the Emerging Professionals Network (EPN). EPN's mission is to be committed to engaging, empowering, and connecting a diverse group of emerging professionals at Shelter Insurance® through personal and professional development, networking, and community involvement. EPN now has more than 800 members between the home office and field offices.

EPN has six committees: Membership, Community Involvement, Development, Education, Social, and Fundraising. These committees are responsible for coordinating events and activities for EPN members to develop leadership skills and network. This year's activities included:

- Continuation of the mentoring program and monthly Lunch & Learn activities.
- Volunteer opportunities for the American Heart Association, the Boys & Girls Club of Columbia, various food banks throughout Shelter's operating territories, Daniel Boone Challenger League, Cleanup Columbia, Ronald McDonald House, Voluntary Action Center, the Salvation Army, and many more.
- Networking opportunities and team building skills development through activities like Epoch Escapes (escape room), a chili cook-off, a cooking class, Color Run, dance lessons, a culinary tour, a scavenger hunt, and more.





Multi-Cultural Group (MCG)

A new ERG was created in 2018 — the Multi-Cultural Group (MCG). The MCG was created to educate Shelter employees about different cultures and traditions.

The group held a kickoff event with members dressing in traditional clothing of various cultures. The MCG held Lunch & Learn activities and a holiday party to educate employees about how other cultures celebrate the holidays.



The HappyWorkTeam was created to build programs and activities for employees to feel welcome and valued. The team created Employee Appreciation Stations placed throughout the home office providing opportunities and materials to send notes of appreciation and encouragement to co-workers. Employee welcome bags with information and gifts for new employees are now in place, as well as monthly “DidYou Know?” emails to inform employees of services Shelter offers to help employees manage productivity and work-life balance.



Shelter Women’s Advocacy Group

Established in 2016, SWAG continued to provide its members with opportunities for professional growth and service to the community. The charity this group has chosen for its ongoing support is True North, a shelter for women who are victims of domestic violence. SWAG held several supply drives for True North and invited members to attend the charity’s annual Little Black Dress fundraiser. SWAG members made several meals for guests of the Ronald McDonald House and worked with members of other ERGs to hold a fundraiser for Unchained Melodies, a dog rescue in Columbia.



SWAG held several educational Lunch & Learn sessions and sponsored an essay contest. All employees were invited to write an essay about the workplace of the future. Authors of the top three essays presented their ideas to Shelter executives, and all three of those ideas are moving toward implementation.



2018 - \$1,117,000

2017 - \$1,007,000

SCHOLARSHIPS AWARDED

SHELTER FOUNDATION SCHOLARSHIPS CONTINUED IN 2018

The Shelter Insurance Foundation awards a variety of scholarships each year to students. The largest of these is the Scholarship Program for Agents, which is funded by agents and the Shelter Foundation. A \$2,000 scholarship is offered to graduating high school seniors in the agent's community. In 2018, Shelter and the participating agents awarded 494 students scholarships, for a total of \$988,000. This is a 12.5% increase over last year's total and represents the largest number of scholarships in the program's history. The total amount of scholarships presented has increased each year, largely because more agents are participating.

Scholarship Program for Children of Shelter Employees and Agents

The Shelter Foundation also sponsors a scholarship program for children of Shelter employees and agents. This year, 43 scholarships were awarded through this program valued at \$3,000 each, for a total of \$129,000.

SHELTER IS PROUD TO
HELP FURTHER THE
EDUCATION OF THESE
HARD-WORKING,
DESERVING STUDENTS
EACH YEAR.

Other Foundation Scholarships in 2018 included:

B. M. Seaman Scholarships

Two graduates of La Plata, MO High School were each awarded a \$2,000 scholarship.

West Middle School

Two 8th grade students at West Middle School each received \$2,000 scholarships. West Middle School is Shelter's Partner in Education.

Multicultural Achievement Committee (MAC) Scholars

A \$2,000 scholarship was awarded to one Columbia Public Schools high school graduate who was an active member of the MAC Scholars program.

Lang Award

A \$500 scholarship was awarded to an outstanding vocational education graduate of Missouri School for the Deaf in Fulton, Missouri.

Success Grants

Up to three renewable scholarships are awarded to selected high school seniors, payable at \$1,000 per year for four years as long as the students maintain academic requirements.

Shelter Employees Showed “Compassion Never Goes Out of Style” for United Way

Shelter’s commitment to the Heart of Missouri United Way continued in 2018 with the campaign theme “Compassion Never Goes Out of Style.” The co-chairs of the 2018 campaign were Jessica Tennyson from Life Company, Lionel Clark from Claims, and Vickie Randall from Training. Jeremiah Smith from Information Services participated in the loaned executive program, and Meagan Parcell of Accounting served as treasurer for the campaign.

The co-chairs came up with creative new ways to raise money for the United Way campaign, including a Halloween Costume Contest, drive-in movie, Golden Ticket chocolate bar, and T-shirt sales. Employees and retirees were again able to order personalized bricks for the pathways outside Shelter Gardens. Traditions of an ice cream social, sale of casual day passes, parking spot raffle, the online auction, and sale of personal time-off passes continued.

Employee
Contribution
\$181,556

TOTAL CAMPAIGN: \$291,933

THE 2018 CAMPAIGN RESULTED IN A 4% INCREASE OVER THE PREVIOUS YEAR.



Jessica Tennyson



Lionel Clark



Vickie Randall



Jeremiah Smith



Meagan Parcell

Corporate
Contribution
\$40,000

Special Events
\$58,557

Retirees
\$5,220
Foundation Match
\$6,600

2018 CONTRIBUTION TOTALS



Shelter Receives Corporate Citizen Award

The Missourian Progress Awards recognize the contributions people and businesses make to support Columbia, Missouri through civic engagement, sustainability, and philanthropy. Shelter Insurance® was honored to receive the Progress Award for Corporate Citizenship in 2018. The award included mentions for the educational support provided through the scholarship program, Shelter's diversity efforts in the community, employee volunteer efforts, and the Companies' sustainability efforts.

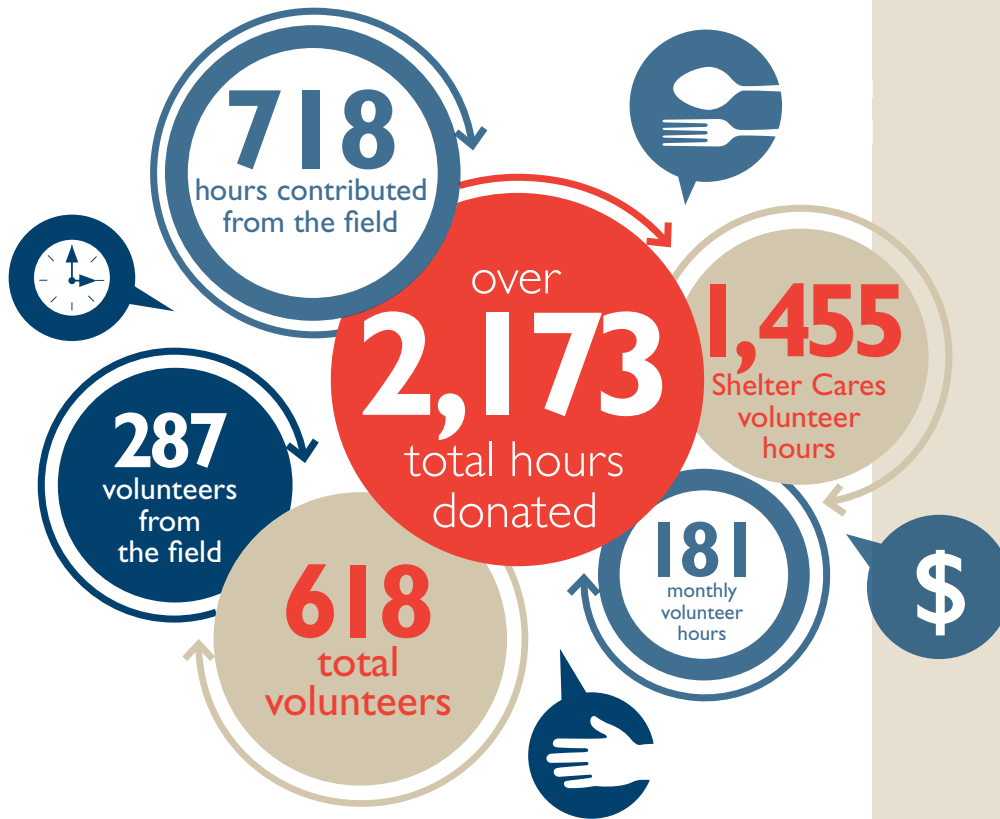
Chief Executive Officer and Chairman of the Board Rick Means said, "We want to do what we can to support the community because the community supports us. That's very important to us. Our employees know that one of Shelter's key values is to be a good corporate citizen. We appreciate this recognition of our efforts by the Columbia community."

The 2018 awards featured 83 nominees across 10 categories.



Shelter Cares... for Our Communities

Shelter Insurance® agents and employees continued their commitment to volunteerism in 2018. While it is not possible to capture all of the hours volunteered, the Shelter Cares committee tracked 2,173 volunteer hours in 2018. Shelter employees donated approximately 181 volunteer hours each month, or approximately 4.5 work weeks each month.



In 2018, Shelter Cares coordinated approximately 1,455 volunteer hours for the following activities:

Central Missouri Food Bank

approximately 305 volunteers
for 2 hours each = 610 hours

United Way Day of Caring Project

22 volunteers
for 8 hours each = 176 hours

Cleanup Columbia

24 volunteers
for 2 hours each = 48 hours

Salvation Army Red Kettle/ Bucket Blitz Campaign Bell Ringing

approximately 62 volunteers
for 1 hour each = 62 hours

Lunch in the Park

44 volunteers
for 2 hours each = 88 hours

Shelter's Fountain Celebration Games

approximately 42 volunteers and 102 hours

Shelter's Goblins in the Gardens Event

76 volunteers and a total of 229 hours

Mizzou Move Crew

15 volunteers for a total of 52 hours

Taste of Tiger Event Setup

10 volunteers
for 3 hours each = 30 hours

American Heart Association — Little Hats, Big Hearts

5 volunteers
for 2 hours each = 10 hours

Central Missouri Humane Society — Puppy Play Date

3 volunteers
for 2 hours each = 6 hours

Shepard Elementary Water Day

10 volunteers
for 4.25 hours each = 42.5 hours



Fred V. Heinkel Awards Presented to Braxton Dunbar and Operation Restored Warrior

Braxton Dunbar received the 2018 Fred V. Heinkel Award for saving the life of a Shelter Insurance® family member, Chris Wright II, who is the son of Chris Wright, a Material Damage Adjuster in the Jackson, Mississippi office. A second award was presented to Operation Restored Warrior, the organization to which Braxton credits his ability to respond in a crisis.

Chris Wright II went into cardiac arrest at a restaurant and Braxton, a waiter at the restaurant, immediately began to perform CPR and stayed with the family until he detected a pulse and EMTs arrived. He then drove the family to the hospital and visited Chris Wright II frequently while he was there. Braxton's heroism and quick response saved Chris' life.

Braxton served in the U.S. Army for six years as a Ranger, serving two tours of duty in Afghanistan and trained to be a combat medic. As a veteran, Braxton has been helped by the organization Operation Restored Warrior and now dedicates his time to help other veterans as they transition to civilians. All of these experiences enabled Braxton to react and help in this life-saving situation.

The Heinkel Award is a \$2,000 cash award presented by the Shelter Foundation. This recognizes individuals or organizations that have demonstrated excellence in any area of science, medical research, health services, education, history, agriculture, athletics, or any other field designated by the Shelter Insurance Foundation board of directors. The award is named for Shelter Insurance Companies' first president and board chair, Fred V. Heinkel.



ABOVE: BRAXTON WITH CHRIS WRIGHT, CHRIS WRIGHT II AND SHELTER MANAGEMENT

BELOW: BRAXTON WITH HIS SON
AND CHRIS WRIGHT II



BELOW: RICK MEANS CONGRATULATING
AWARD WINNER BRAXTON DUNBAR



SHELTER TRADITIONS CONTINUE





Each year, Shelter holds events that are open to the community, as well as some just for employees and their families. Events include the Annual Fountain Celebration in the spring, Shelter Gardens Concert Series and Show-Me Games Torch Run during the summer, Goblins in the Garden and the Gobble Wobble 5K Run/Walk in the fall, Shelter Christmas Tree lighting in early December, and the Symphony of Toys Holiday Concert at the end of the year.



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Instagram: Shelter_ins LinkedIn: Shelter-Insurance-Companies

Shelter Insurance® received the highest score in Central Region in the J.D. Power 2018 U.S. Auto Insurance Study of customers' satisfaction with their auto insurance provider. Visit jdpower.com/awards.