REPORT ON EXAMINATION

OF THE

HAULERS INSURANCE COMPANY, INC.

COLUMBIA, TENNESSEE

RECEIVED

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Dept. of Commerce & Insurance
Company Examinations

AS OF

DECEMBER 31, 2007

THE DEPARTMENT OF COMMERCE AND INSURANCE

STATE OF TENNESSEE

NASHVILLE, TENNESSEE

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Columbia, Tennessee
June 17, 2009

The Honorable Alfred W. Gross
Commissioner of Insurance
Chairman, Financial Condition Committee
National Association of Insurance Commissioners
Bureau of Insurance
Commonwealth of Virginia
P. O. Box 1157
Richmond, Virginia 23218

The Honorable Leslie A. Newman
Commissioner of Commerce and Insurance
State of Tennessee
500 James Robertson Parkway
Nashville, Tennessee 37243

Dear Commissioners:

Under the authority delegated by you and in compliance with instructions, an association examination and market conduct review has been made of the conditions and affairs of the

HAULERS INSURANCE COMPANY, INC.

Columbia, Tennessee

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

INTRODUCTION

This examination was called by the Commissioner of Commerce and Insurance of the State of Tennessee through the Examination Tracking System of the National Association of Insurance Commissioners (NAIC) and commenced on April 18, 2008. The examination was conducted under the association plan of the NAIC by duly authorized representatives of the Tennessee Department of Commerce and Insurance (TDCI). The previous full scope examination of the Company was conducted as of

December 31, 2002, by examiners of the TDCI. The previous examination reported two material changes to the Company's financial statement and three adverse findings. The adverse findings and their resolutions are as follows:

- The Company's fidelity bond coverage, as of December 31, 2002, was less than the NAIC suggested minimum of $350,000. Prior to the completion of the examination, the Company increased its coverage to $350,000.

- The Company's Custodian Agreement did not contain all the necessary safeguards and controls prescribed by the NAIC Examiners handbook and Tenn. Comp. R. & Regs. 0780-01-46-.04. The agreement was replaced during the course of the examination with a new Agreement which does contain all the necessary safeguards and controls.

- The ownership of the Company's home office building and lease of such building to the Company by a partnership which included individuals who are officers of the Company, appears to create a conflict of interest in violation of Tenn. Code Ann. § 56-3-103. Although this conflict of interest was eliminated by the sale of the building to the Company at its original purchase price on June 27, 2003, it is recommended that the Company and its officers take steps to prevent any future violations of this statute. The violation of Tenn. Code Ann. § 56-3-103 was eliminated during the course of the examination. The Company has procedures in place to prevent such violations, including the filing of annual conflict of interest statements by officers and directors. The most recent filings were reviewed, with no potential conflicts noted.

SCOPE OF EXAMINATION

The period covered hereunder is from December 31, 2002, the date of the previous examination, to the close of business on December 31, 2007, the date of this examination and includes material transactions and events occurring subsequent to the examination date and noted during the course of the examination. The Company's financial solvency and the degree thereof were thus established. Test checks covering selected periods were made of income and disbursement items and a general review was made of the Company's operations, practices and compliance with statutes, to the extent hereinafter set forth. An examination of all asset and liability items contained in the financial statement of this report was made and individual items were verified with relative emphasis according to their amounts and potential impact on surplus as regards policyholders.

A letter of representation, certifying that management has disclosed all significant matters and records, was obtained and has been included in the work papers of this report.

In addition, an examination of the following areas was made:

Company History
Charter and Bylaws
Management and Control
Corporate Records
Fidelity Bond and Other Insurance
Employee Benefits
Territory
Plan of Operation
Market Conduct Activities
Loss Experience
Reinsurance
Commission Equity
Pecuniary Interest
Statutory Deposits
Litigation
Accounts and Records
Subsequent Events
Loss Reserves
Financial Statement

They are discussed in detail as follows:

COMPANY HISTORY

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, and approved by the TDCI on that date, the Company amended its charter to change the par value of its common stock to $10.00 per share. 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.

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.

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

The following exhibit depicts certain aspects of the growth and financial history of the Company since the last examination at December 31, 2002, according to the annual statements filed with the TDCI:

Year	Gross Premiums Written	Net Premiums Written	Premiums Earned	Losses and LAE Incurred	Net Income	Net Admitted Assets	Capital and Surplus
2002	26.543.771	25.057.050	23.451.151	16.536.258	1.324.031	30.218.607	15.026.294
2003	26.290.890	24.777.059	24.657.056	17.222.794	1.905.556	35.816.981	18.225.082
2004	27.291.168	25.835.422	25.618.584	17.658.777	2.311.628	40.127.595	20.855.868
2005	26.997.971	25.682.644	25.555.503	15.979.166	3.499.331	44.233.435	23.810.861
2006	26.528.495	25.056.395	25.099.149	16.867.272	2.759.943	46.325.662	26.270.715
2007	28.155.022	26.562.352	26.228.596	17.114.358	3.282.232	47.711.557	29.819.237

CHARTER AND BYLAWS

The Company's original charter of incorporation was filed and recorded with the Tennessee Secretary of State on June 9, 1986. The charter was filed and recorded in the Register Office of Maury County at Columbia, Tennessee on June 23, 1986. Effective July 7, 1987, the charter was amended and restated.

The restated charter established the Company as a for-profit corporation organized for the following purposes:

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

(b) to enter into reinsurance contracts with respect to the types of insurance set forth in (a) above.

(c) to provide any and all kinds of insurance services.

In addition to the above, the charter recites other general and specific powers in detail. These are usual in nature and consistent with statute. They are such as those generally found in corporations of this type and contain no unusual provisions. They provide for the regulation of the business and for the conduct of the affairs of the Company, directors and shareholders.

MANAGEMENT AND CONTROL

The Company's bylaws state the business and affairs of the Company are managed and controlled by a Board of Directors. The Board of Directors shall be seven (7) in number; provided that if all the shares of the Company are owned by less than seven (7) shareholders, the number of directors may be less than seven (7) but not less than the number of shareholders of record. Directors need not be shareholders of the

Company. Directors are elected at the annual meetings of shareholders; but if any such annual meeting is not held or if the directors are not elected at such annual meeting, the directors may be elected at any special meeting of the shareholders. Directors shall be elected by a plurality of the votes cast and they shall hold office until the next annual meeting of the shareholders or until their respective successors have been elected and qualified.

The annual meeting of the shareholders is held during the month of April of each year. At all meetings, the shareholders of record shall be entitled to one (1) vote for each share of stock standing in their name and may vote either in person or by proxy. At all meetings of shareholders, a majority of the outstanding shares of stock entitled to vote, represented in person or by proxy, shall constitute a quorum for the transaction of business. The vote or authorization of a majority of the shares represented, at any meeting at which a quorum is present or represented, shall determine the action taken on any matter that may come before the meeting, unless otherwise specifically required by law or by express provision of the charter or bylaws of the Company. Special meetings of the shareholders may be called at any time by the Company's President, the Board of Directors or the holder or holders of not less than one tenth (1/10) of all the shares entitled to vote at such meeting.

Regular meetings of the directors shall be held annually following the annual meeting of the shareholders. Special meetings of the directors may be called at any time by the Company's President or by any two (2) directors on at least two (2) days' notice sent by any usual means of communication. A majority of the total number of directors then in office shall constitute a quorum for the transaction of business. The vote or action of a majority of the directors present at any meeting at which a quorum is had, shall decide any matter that may come before the meeting and shall be the act of the Board unless otherwise specifically required by law or by the express provision of the Company's charter or bylaws. Any action required or permitted to be taken by the directors of the Company may be taken without a meeting on written consent, setting forth the action so taken, signed by all directors entitled to vote thereon. A majority of the entire Board of Directors may by resolution appoint an executive committee or any other committee or committees for any purpose or purposes to the extent permitted by law, which committee or committees shall have such powers as shall be specified in the resolution of appointment.

The following persons were serving as directors at December 31, 2007:

Name	Address	Occupation
James Clifford Walker	Columbia, TN	President - Haulers Insurance Co., Inc.
Nancy Woody Walker	Columbia, TN	Secretary/Treasurer - Haulers Insurance Co., Inc.
Janet Colleen Brown	Culleoka, TN	Benefits Coordinator - Haulers Insurance Co., Inc.
James Hoil Walker*	Columbia, TN	Retired
Joe Carroll Martin	Murfreesboro, TN	Retired
Fred Douglas Baker	Duck River, TN	Farmer

*Chairman of the Board

At December 31, 2007, the Company does not have the appropriate number of directors as noted by its bylaws.

The officers of the Company are elected or appointed at the regular meeting of the Board of Directors, provided that any vacancy or newly created office may be filled at a special meeting of the Board. The officers shall hold office until the next regular meeting of the Board and thereafter until their successor has been elected or appointed and qualified. The bylaws provide that the officers of the Company shall be a Chairman of the Board of Directors, a President, one or more Vice-Presidents, a Secretary, and a Treasurer. Any two or more offices may be held by the same person except the offices of President and Secretary.

The Chairman shall call to order all meetings of the shareholders and all meetings of the Board of Directors, and shall preside over each of these meetings.

The President shall be the chief executive officer of the Company and shall have general supervision of the business and property of the Company and exercise all the powers and duties customarily exercised by the chief executive officer of business corporations. In the absence or incapacity of the Chairman of the Board of Directors, the President shall call and preside at all meetings of the shareholders and the Board of Directors. Subject to the approval of the Board of Directors, the President may appoint agents and employees of the Company, other than the officers elected or appointed by the Board and shall perform such other duties as may from time to time be prescribed by the Board of Directors.

The Vice-President or Vice-Presidents shall assist the President in the management of the Company and shall have such other powers and perform such other duties as may from time to time be prescribed by the Board of Directors.

The Secretary shall keep the minutes of all meetings of the shareholders and the Board of Directors in appropriate books, attend to the giving of all notices for the Company and have charge of the seal and stock books of the Company and such other books and papers as the Board may direct. In general, the Secretary shall perform all duties incident to the office of Secretary and shall perform such other duties as may from time to time be prescribed by the Board of Directors.

The Treasurer shall have the care and custody of all funds and securities of the Company and shall perform all the duties incident to the office of the Treasurer and such other duties as from may from time to time be prescribed by the Board of Directors.

The Board of Directors may appoint or authorize the President to appoint assistant secretaries or treasurers and such other officers as the Board may from time to time decide who shall have such authority and perform such duties as may from time to time be prescribed by the Board of Directors designated by the President.

The following were serving as officers of the Company at December 31, 2007:

Name	Office Held
James Hoil Walker	Chairman
James Clifford Walker	President
Nancy Woody Walker	Secretary/Treasurer

As of December 31, 2007, the Company retained the following professional services:

Actuarial Services: Casualty Actuarial Consultants, Inc.
7101 Executive Center Dr., Suite 225
Brentwood, Tennessee 37027

Auditing Services: Cooper, Travis & Company, PLC
3008 Poston Avenue
Nashville, Tennessee 37203

Legal Services: Hardin & Parkes, PLLC
102 West Seventh Street, Suite 100
P.O. Box 929
Columbia, Tennessee 38402

HOLDING COMPANY SYSTEM

The Company is a member of an insurance holding company system as defined by Tenn. Code Ann. § 56-11-201. Ownership and control of the Company rests in James H. and Nancy W. Walker who together own 42.56% of the outstanding shares of the Company's common stock. No other person owns 10% of the company's common stock. The controlling parties do not own any other business. No contracts or agreements exist between the Company and James H. and Nancy W. Walker.

An organizational chart is attached to this report as Exhibit A.

CORPORATE RECORDS

During the period under examination, there were five (5) annual meetings of the Company's shareholders and three (3) actions taken by written consent. There were five (5) annual meetings of the Board of Directors and seven (7) actions taken by written consent. The minutes of the meetings of the shareholders and the Board of Directors, held during the period under examination, were reviewed and found to be well written, complete as to necessary detail and adequately approve and support the transactions and events of the Company.

FIDELITY BOND AND OTHER INSURANCE

The following is a schedule of insurance maintained by the Company at December 31, 2007:

Type of Coverage	Amount	
Insurance Company Bond	$ 500,000	Fidelity
	500,000	Forgery and Alteration
	500,000	Computer Systems Fraud
Workers' Compensation	1,000,000	Each Accident
Employers' Liability	1,000,000	Disease-Each Employee
	1,000,000	Disease-Policy Limit
Employment Practices	1,000,000	Wrongful Employment Act
	1,000,000	Aggregate
General Liability	2,000,000	General Aggregate

	2,000,000	Products Completed Operations
	1,000,000	Personal and Advertising Injury
	100,000	Damage to Rented Premises
	5,000	Medical Expense – Any One Person
	1,000,000	Employee Benefits Liability
Commercial Inland Marine	300,000	Data Processing Coverage
	25,000	Accounts Receivable
	20,000	Data Processing Equipment
	80,000	Data and Media
	10,000	Extra Expense
Commercial Umbrella	10,000,000	Each Occurrence
	10,000,000	Annual Aggregate
	10,000	Retained Limit
Commercial Property	557,000	Business Personal Property
	1,000,000	Building
Commercial Crime	15,000	Employee Theft – Per Occurrence
	15,000	Theft Inside Premises – Per Occurrence
	5,000	Theft Outside Premises – Per Occurrence
Business Automobile	1,000,000	Bodily Injury and Property Damage
	5,000	Auto Medical Payments-Each Person
	1,000,000	Uninsured Motorists
Errors and Omissions	1,000,000	Each Act
	1,000,000	Aggregate
Aviation	10,000,000	Bodily Injury and Property Damage
	500,000	Physical Damage

The above coverages were issued by companies licensed to transact business in the State of Tennessee.

RETIREMENT PLAN AND OTHER EMPLOYEE BENEFITS

The Company provides life and health insurance for its employees. On January

1, 2004, the Company began a Simple IRA retirement plan. The plan calls for the Company to match the annual elective contribution of the qualified employee in an amount not exceeding 3% of the employee's compensation up to specified limits. Dental and vision coverages are optional to each employee. Additionally, the Company provides its managers and senior employees with a bonus plan. The bonus plan was approved by the Board of Directors effective as of January 1, 1996.

TERRITORY

As of December 31, 2002, the Company was licensed to transact business in the states of Alabama, Mississippi, Missouri, North Carolina, Tennessee, and Virginia. During the period of examination, the Company became licensed in Arizona, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Ohio, Oklahoma, South Carolina, Texas and West Virginia. The certificates of authority for the various jurisdictions were inspected and found to be in full force and effect. Premium and loss amounts for 2007 were as follows:

State	Direct Premiums Written	Direct Premiums Earned	Direct Losses Paid	Direct Losses Incurred	Direct Losses Unpaid	Finance & Service Charges
Alabama	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Arizona	0	0	0	0	0	0
Georgia	0	0	0	0	0	0
Illinois	0	0	0	0	0	0
Indiana	1,044,021	644,590	286,104	486,427	208,323	30,185
Iowa	0	0	0	0	0	0
Kentucky	0	0	0	0	0	0
Louisiana	0	0	0	0	0	0
Mississippi	0	0	0	0	0	0
Missouri	6,170,552	6,009,311	4,576,002	3,851,528	993,557	260,990
North Carolina	0	0	0	0	0	0
Ohio	0	0	0	0	0	0

State	Direct Premiums Written	Direct Premiums Earned	Direct Losses Paid	Direct Losses Incurred	Direct Losses Unpaid	Finance & Service Charges
Oklahoma	0	0	0	0	0	0
South Carolina	0	0	0	0	0	0
Tennessee	16,433,052	16,567,028	9,313,656	8,186,329	5,636,097	763,348
Texas	0	0	0	0	0	0
Virginia	4,507,396	4,596,832	3,399,412	2,496,567	846,426	234,755
West Virginia	0	0	0	0	0	0
Total	$28,155,021	$27,817,761	$17,575,174	$15,020,851	$7,684,403	$1,289,278

PLAN OF OPERATION

The Company specializes in underwriting automobile insurance policies for both the personal and commercial sectors. In addition, commercial fire coverage is also written. The Company ceased writing mobile home coverage effective January 1, 2007. All policies are directly billed to the insured and are sold and serviced through independent agencies, all of which have written agreements with the Company. These agencies are located primarily in rural areas.

All personal automobile policies are six (6) month policies. All commercial automobile policies are written on a twelve (12) month basis. The Company offers monthly, quarterly and semi-annual payment plans. Each of these plans includes an installment fee. In addition, the insured can pay in full with no installment fee assessed.

During the period under review and through the date of this report, all policy preparation was performed in the Company's home office and was subject to the underwriting rules adopted by the Company and promulgated in accordance with approved rates. The adjustment of claims is handled primarily by in-office adjusters. Independent adjusters are used only for automobile appraisals and accident scene investigations.

MARKET CONDUCT ACTIVITIES

A market conduct review of the Company was made concurrently with the financial condition examination. The following areas were covered by this review:

Advertising:

The Company does not actively advertise.

Underwriting:

All underwriting is performed at the Company's home office. The Company maintains written risk selection guidelines and underwriting requirements and all agents are provided a copy.

Rates and Policy Forms:

The Company utilizes ISO rates, rules and forms for commercial property lines. All other lines utilize ISO forms but rates and rules are independently filed. Such filings appear to have been properly approved.

Complaints:

A review of complaints made to regulatory authorities regarding the Company indicated a conscientious effort by the Company to equitably fulfill its obligations and to resolve policyholder complaints in a timely manner.

Claims:

A sample of open and closed claims reviewed during the examination indicated that claims were being paid in accordance with policy provisions and settlements were promptly made upon receipt of proper evidence of the Company's liability.

Privacy Policy:

The Company has a written privacy statement. It is supplied to its policyholders the first time business is transacted and annually thereafter in compliance with Tenn. Comp. R. & Regs., 0780-01-72.

LOSS EXPERIENCE

The loss experience of the Company since the last examination on December 31, 2002, as reported in its annual statements filed with the TDCI, is as follows:

Year	Losses Incurred	LAE Incurred	Premiums Earned	Loss Ratio
2002	14,424,625	2,111,633	23,451,151	70.5%
2003	14,977,269	2,245,525	24,657,056	69.9%
2004	15,014,454	2,644,323	25,618,584	68.9%
2005	13,360,673	2,618,493	25,555,503	62.5%
2006	14,553,582	2,313,690	25,099,149	67.2%
2007	14,951,454	2,162,904	26,228,596	65.3%

REINSURANCE

All of the Company's reinsurance agreements were reviewed and found to contain the standard provisions for arbitration, cancellation, errors and omissions, exclusions, insolvency, offset, settlement, taxes and termination. All of the reinsuring companies are authorized to do business in Tennessee. The following is a summary of the reinsurance agreements in effect as of December 31, 2007:

(1)
Type: Multiple Line Excess of Loss
Reinsurer: General Reinsurance Corporation

Term: Continuous contract, originally effective May 1, 2003

Premium: First Excess Coverage: 3.840% of the subject earned premium of the Company
Second Excess Coverage: 0.300% of the subject earned premium of the Company

Contingent Commission: 25% of the net profits accruing to the reinsurer

Coverage: (a) As respects property business:
Under the first excess cover, the reinsurer shall be liable to the Company for the amount of net loss sustained by the Company in excess of the Company's retention of $100,000 each risk, but not exceeding a limit of liability of the reinsurer of $400,000 each risk, subject to a maximum of $1,200,000 on any one (1) loss occurrence.
(b) As respects casualty business:
Under the first excess cover, the reinsurer shall be liable to the Company for the amount of net loss sustained by the Company in excess of the Company's retention of $100,000 each occurrence, but not exceeding a limit of liability of the reinsurer of $900,000 each occurrence. Under the second excess cover, the reinsurer shall be liable to the Company for the amount of net loss sustained by the Company, but not exceeding a limit of liability of the reinsurer of $1,000,000 each occurrence, with the liability of the Reinsurer under the Second Excess Cover not exceeding $3,000,000 with respect to all Extra Contractual Obligation arising from losses occurring during each Agreement Year.
(c) As respects both property and casualty business:
The reinsurer shall provide retention protection to the Company for the amount of net loss sustained by the Company in excess of $100,000 each occurrence, but not exceeding a limit of liability of the reinsurer of $100,000 each occurrence.

(2)
Type: Property Catastrophe Excess of Loss

Reinsurer: Farmers Mutual Hail Insurance Company of Iowa, Hannover Ruckversicherungs AG, and various Lloyd's syndicates

Term: Effective August 1, 2007 to August 1, 2008

Premium: 5.241% (first layer) and 2.3293% (second layer) of net written premium income of the business covered under this agreement.

Coverage: The reinsurer shall be liable to the Company when two or more risks are involved in any one (1) loss occurrence in excess of $300,000 each and every loss occurrence, but not exceeding a limit of liability of the reinsurer of $2,700,000 each loss occurrence.

PECUNIARY INTEREST TENN. CODE ANN. § 56-3-103

During the period under examination, the Company had an established procedure for disclosure to its Board of Directors of any material interest or affiliation on the part of its officers and directors which conflicts with the person's official duties with the Company. Statements regarding such conflicts of interest were executed by the officers, directors and key personnel on an annual basis.

STATUTORY DEPOSITS

The Company maintained the following deposits at December 31, 2007:

Where Deposited and Description	Par Value	Statement Value	Market Value
Georgia, Special Deposit			
UST Bond, 6.25%, Due 8/15/23	$ 85,000	$ 98,217	$ 101,768
Louisiana, Special Deposit			
UST Note, 4.00%, Due 2/15/15	25,000	24,874	24,951
Missouri, General Deposit			
UST Note, 6.50%, Due 2/15/10	200,000	201,941	213,660
North Carolina, Special Deposit			
US Treas Bds, 7.25%, Due 5/15/16	100,000	100,984	122,969
Charlotte NC Wtr & Swr Sys Rev, 4.625%, Due 7/1/36	225,000	229,068	225,707
Oklahoma, General Deposit			
Montgomery Cnty Tex Mun Util, 5.0%, Due 3/1/22	300,000	307,910	312,888
Tennessee, General Deposit			
IL Gen Oblig Bond, 5.00%, Due 11/01/20	200,000	199,221	208,386
Irving, TX Ltd G.O. Ser 2003, 4.1%, Due 9/15/20	300,000	287,163	300,159
Jackson, TN Rev Bonds, 5.90%, Due 9/01/20	200,000	204,000	200,126
King County, WA Gen Oblig Bonds, 5.00%, Due 12/1/19	200,000	200,457	207,236
MS Gen Oblig Bonds, 5.00%, Due 11/01/19	200,000	200,000	210,194
Rhea County, TN Gen Oblig Bonds, 5.00%, Due 4/01/20	200,000	200,000	211,244
Utah Rev Bonds, 5.00%, Due 5/15/19	200,000	199,629	210,820
Virginia, Special Deposit			
Hallsdale Powell Util Dist Knox Cnty Tenn, 4.50%, Due 4/01/21	200,000	200,000	201,476
Rhode Island St Economic Dev Corp, 5.00%, Due 7/01/24	100,000	103,401	102,788
Totals	$ 2,735,000	$ 2,756,865	$ 2,854,372

These deposits were verified by written confirmations. Statutory deposits are admitted assets in accordance with Tenn. Code Ann. § 56-1-405, with the exception of the special deposits pledged in Georgia, Louisiana, and North Carolina. The Company correctly reported these as non-admitted in its Annual Statement.

LITIGATION

From the examination data made available, it appears that the only legal proceedings in which the Company was involved during the period under review were those arising out of the normal course of business. During the years under examination, no regulatory action was taken against the Company. The Company has no agreements, commitments, obligations or pending matters of a contingent nature which would adversely affect its financial condition.

ACCOUNTS AND RECORDS

The primary location of the Company's books and records is 1101 New Highway 7, Columbia, Tennessee. All accounting functions are performed by Company personnel. Accounting records and supporting data are compiled in accordance with established insurance accounting practices and generally accepted accounting principles. All of the Company's accounts and records are maintained on an electronic data processing system.

During the course of the examination, accounts were verified and records reviewed using various tests and procedures deemed necessary to establish values for assets and liabilities appearing in the Company's annual statements. Test checks for selected periods were made of premium receipts, investment income, including interest due and accrued, and disbursements, including claim payments, to the extent deemed necessary. Additionally, premium tax returns and federal income tax returns were examined.

The Company contracts with the public accounting firm Cooper, Travis & Company, Nashville, Tennessee, to audit and express an opinion on its statutory financial statement. The Company is in compliance with the NAIC's Risk-Based Capital requirements.

The Company's system of accounts and records is consistent with the customary standards for companies of this type. Such system is adequate for the Company's needs and it provides a reasonably accurate portrayal of the Company's financial condition.

LOSS RESERVES

A review of the Company's loss reserves was conducted by Glenn Tobleman, FCAS, FSA, MAAA, and Gregory S. Wilson, FCAS, MAAA of Lewis & Ellis Actuaries & Consultants. This review concluded that the Company's calculated reserve for net unpaid losses and loss adjustment expenses of $9,027,125 is a reasonable estimate of the net unpaid losses and adjustment expenses of the Company as of December 31, 2007. The review also notes the assignment of greater weight to incurred loss development and less weight to paid loss development and the Company's low per occurrence retention ($100,000 per loss or less) contribute to the conclusion that there is not a significant risk of material adverse deviation in the results.

SUBSEQUENT EVENTS

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 statement value of the transaction was $50,705,595.

After the acquisition, Shelter replaced the Company's board of directors with its nine (9) member board of directors. Such action places the Company back in compliance with its bylaw requirement of at least seven (7) board members.

FINANCIAL STATEMENT

There follows a statement of assets, liabilities and a statement of income as of December 31, 2007, together with a reconciliation of capital and surplus for the period under review, as established by this examination.

ASSETS

	Assets	Nonadmitted Admitted	Net Admitted Assets
Bonds	$36,356,570	$453,143	$35,903,427
Common stocks	1,000,600		1,000,600
Mortgage loans	99,880		99,880
Properties occupied by the company	819,338		819,338
Cash & short term investments	3,503,077		3,503,077
Total cash & invested assets	41,779,465	453,143	41,326,322
Investment income due & accrued	492,144		492,144
Uncollected premiums & agents' balances in the course of collection	1,287,343		1,287,343
Deferred premiums & agent balances & installments booked but deferred and not yet due	4,136,832		4,136,832
Current federal and foreign income tax recoverable and interest thereon	45,210		45,210
Net deferred tax asset	375,227		375,227
EDP equipment	21,396		21,396
Furniture and equipment	882,691	882,691	0
Prepaid reinsurance	27,083	0	27,083
Totals	$49,047,391	$1,335,834	$47,711,557

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	$ 7,667,432
Loss adjustment expenses	1,359,693
Commissions payable, contingent commissions and other similar charges	145,682
Other expenses	173,734
Taxes, licenses and fees	40,672
Unearned premiums	8,411,066
Ceded reinsurance premiums payable	94,041
Total liabilities	17,892,320
Common capital stock	2,180,000
Gross paid in and contributed surplus	2,882,872
Unassigned funds	24,756,365
Surplus as regards policyholders	29,819,237
Totals	$47,711,557

UNDERWRITING AND INVESTMENT EXHIBIT
STATEMENT OF INCOME

Underwriting Income	
Premiums earned	$26,228,596
Deductions:	
Losses incurred	14,951,454
Loss expenses incurred	2,162,904
Other underwriting expenses incurred	7,837,966
Total underwriting deductions	24,952,324
Net underwriting gain or (loss)	1,276,272
Investment Income	
Net investment income earned	1,743,766
Net realized capital gains or (losses)	8,802
Net investment gain or (loss)	1,752,568
Other Income	
Finance and service charges not included in premiums	1,289,279
Aggregate write-ins for miscellaneous income	13,584
Total other income	1,302,863
Net income before federal income taxes	4,331,703
Federal and foreign income taxes incurred	1,049,471
Net Income	$ 3,282,232

RECONCILIATION OF CAPITAL AND SURPLUS FOR THE PERIOD UNDER EXAMINATION

	2003	2004	2005	2006	2007
Surplus as regards policyholders December 31, Previous Year	$15,026,294	$18,225,082	$20,855,868	$23,810,861	$26,270,715
Net Income	1,905,556	2,311,628	3,499,331	2,759,943	3,282,232
Net unrealized capital gains and (losses)	203,901	290,913	20,677	213,559	113,718
Change in net deferred income tax	205,000	56,048	(163,795)	(73,309)	(78,602)
Change in non-admitted assets	1,084,889	(27,803)	(401,220)	(426,280)	95,505
Change in provision for reinsurance	0	0	0	0	0
Cumulative effect of changes in accounting principles	0	0	0	0	0
Capital changes: Paid in	0	0	0	(1,090)	10,000
Surplus adjustments: Paid in	0	0	2,000,000	(12,969)	125,670
Dividends to stockholders	0	0	0	0	0
Aggregate Write ins for gains or (losses) in surplus	(200,558)	0	(2,000,000)	0	0
Surplus as regards to policyholders December 31 Current Year	**$18,225,082**	**$20,855,868**	**$23,810,861**	**$26,270,715**	**$29,819,238**

COMMENTS

Although minor differences were detected during the course of the examination, none materially affected the operations of the Company as of December 31, 2007.

CONCLUSION

The customary insurance examination practices and procedures, as established by the National Association of Insurance Commissioners, have been utilized in connection with the verification and valuation of assets and the determination of liabilities in the financial statement of this report.

In such matter, it was concluded that as of December 31, 2007, the Company had net admitted assets of $47,711,557 and liabilities, exclusive of capital, of $17,892,320. Therefore, there existed for the additional protection of policyholders, the amount of $29,819,237 in the form of capital, gross paid in and contributed surplus and unassigned funds.

Sandy Banks and Mitchell Walker, Jr., both Insurance Examiners for the TDCI, participated in this examination. In addition, Glenn Tobleman, FCAS, FSA, MAAA, and Gregory S. Wilson, FCAS, MAAA of the actuarial consulting firm, Lewis & Ellis Actuaries & Consultants, Richardson, Texas and Norman Chandler, CPA, CPCU, ARe, AIAF, ARC, ACP of the contracting reinsurance specialist firm, TaylorChandler LLC, Montgomery, Alabama, participated in the work of this examination.

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

Respectfully submitted,

Brian H. Sewell, CFE
Examiner-in-Charge
State of Tennessee

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report on Haulers Insurance Company, Inc., dated June 17, 2009, and made as of December 31, 2007, 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.

Brian H. Sewell

Brian H Sewell, CFE
State of Tennessee
Southeastern Zone, N.A.I.C.

Subscribed and sworn to before me this

_____ day of _______________, 2009

____
Notary

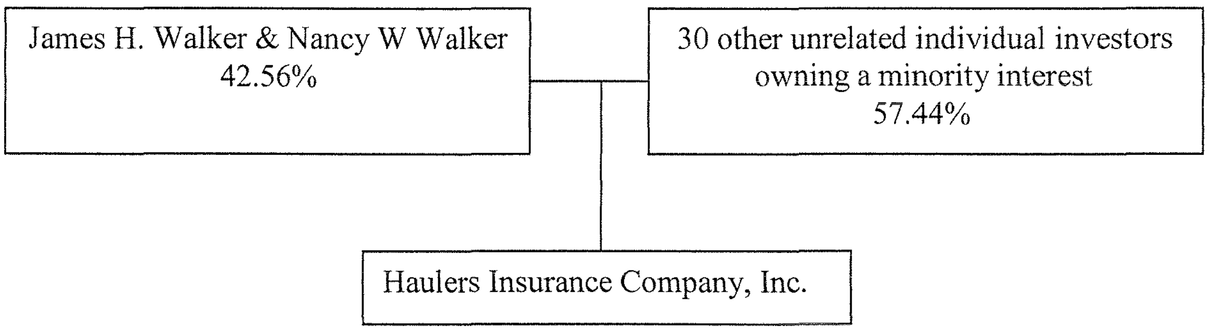
County ________________________

State __________________________

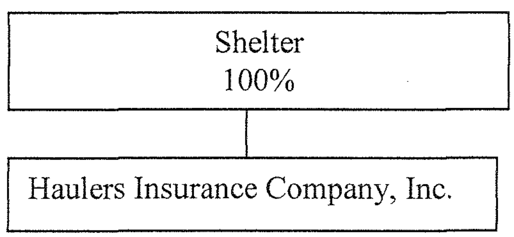
Commission Expires _____________

CORPORATE ORGANIZATIONAL CHART

(prior to acquisition by Shelter)



(after acquisition by Shelter)



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Brian H Sewell

Brian H Sewell, CFE
State of Tennessee
Southeastern Zone, N.A.I.C.

Subscribed and sworn to before me this

17th day of June, 2009

Helen W. Dorsey

Notary

County Davidson

State Tennessee

Commission Expires 05/22/2010

HELEN W. DORSEY
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY, TENN.

My Commission Expires MAY 22, 2010

Respectfully submitted,

Brian H. Sewell, CFE
Examiner-in-Charge
State of Tennessee