



We're your Shield.  
We're your Shelter.



Shelter Insurance® - Count on our Team.

# Shelter Insurance Companies 2010 Annual Report

# 2010 Overview

President's Letter .....	1
Corporate Oversight Discussion .....	2
Corporate Oversight Chart .....	3
2010 in Review .....	4-11
Companywide Information .....	12
A Family of Companies .....	13
Financial Results .....	14-25
Directors and Officers .....	26
Community Involvement .....	27-32
Shelter Privacy Protection Policy .....	33



To Our Policyholders:

The year 2010 brought about the continued recovery of investable asset values as the Dow Jones Industrial Average ended the year at 11,578, a remarkable improvement over the mid 6,000 in March 2009. Short term and bond interest rates, however, remained at very low levels. This adverse interest environment was somewhat offset by much improved operating cash flow, allowing an expansion of the balance sheet. The economic environment continued to impact individuals' purchasing decisions, resulting in lagging life sales and continued price competition in the P&C industry.

Shelter Mutual's admitted assets increased 6.5% to \$2.3 billion for the year. Most of the increase is a result of additional investment in bonds, which represent 44% of total assets. These bonds are investment grade quality and are used to fund future claims payments. At year end, the Company reported \$367 million of expected liabilities for claims and adjustment expenses, similar to the previous year. Unearned premiums increased \$22 million mainly due to increased policy count. Total liabilities ended the year at \$981 million, or 42% of total assets.

Policyholder's surplus increased to \$1.348 billion at year end, a 7.8% increase over 2009. The increase is mainly due to net income of \$81.7 million for the year. The following subsidiaries added net worth to your policyholders' surplus and paid \$42.6 million in dividends or distributions to Shelter Mutual.

Shelter General Insurance Company provided a 4.6% return on average equity to Shelter Mutual mainly due to investment performance.

Shelter Reinsurance (Re) continued its growth trend into 2010 with written premiums of over \$91 million, an increase of nearly 12%. Re has averaged premium growth of almost 13% annually over the past five years. The average return on equity for the year was 7.2%.

Shelter Life has increased customer insurance in force by \$1 billion in each of the past five years. The total return on average equity to Shelter Mutual was 10.6% for the year.

Haulers Insurance written premium was up 3% for the year. Shelter Financial Corporation, including Shelter Bank, had an excellent year and reported net income of \$868,000. Daniel Boone Agency, LLC experienced a profitable year assisting customers with unique risks. Shelter Enterprises, LLC successfully added new tenants to the Shelter Office Plaza. Lastly, Shelter Benefits Management Inc. continued to effectively manage Shelter's human resource activities.

Looking forward, 2011 will likely see Shelter operating in a slowly recovering economy, continuing through the soft underwriting cycle, leveraging analytics to maintain growth or adjust pricing strategies and investigating opportunities for excess capital. Continued and increasing focus will remain on examining the impact of numerous regulatory and accounting developments.



**J. Donald Duello**  
Chairman of the Board



**J. David Moore**  
President & CEO

## Our Commitment to Management Excellence

Shelter Insurance Companies realize they have a responsibility, not only to policyholders who place their trust in Shelter's products and services, but also to their employees and agents. In an effort to maintain their long-standing commitment to stability and excellence, Shelter adopted a new mission statement in 2008 that guides the Companies as they move deeper into the 21st century. That mission, articulated by Shelter President and CEO, Dave Moore, is below:

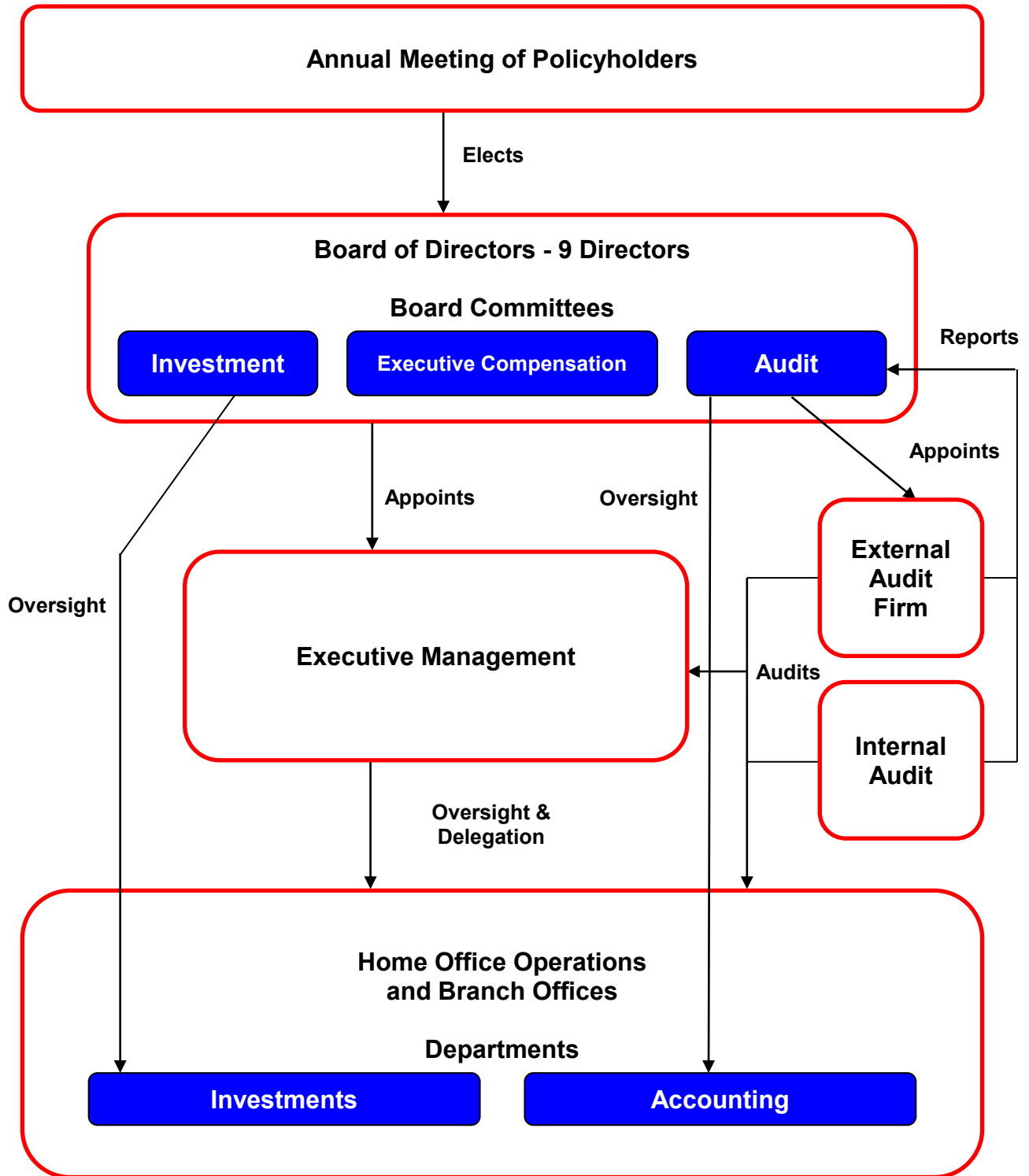
**Shelter Insurance® will be a dynamic group of companies focused on providing financially secure insurance protection and services to individuals and businesses, a quality working environment, emphasis on easy-to-use services, a commitment to continuous improvement and a passion for pleasing our customers.**

Shelter Insurance Companies are governed by a nine-member Board of Directors that is 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 three subcommittees to directly assist the Board in fulfilling its responsibilities: the Investment Committee, the Executive Compensation Committee and the Audit Committee.

While all three subcommittees 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, senior management, internal auditors 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.





**Shelter Insurance® – People with Integrity**

Shelter’s on-going branding research project achieved several important goals in 2010 with the development of branding standards, the establishment of a new slogan and the introduction a new advertising campaign. The project focused on the concept of brand essence -- the point where logic and emotion merge to help define a brand. Through the use of focus group research, analysis of competitive advantages and creative development, Shelter’s brand identity was summarized in one basic premise: we are people with integrity.

The project started with customer, agent and employee focus groups identifying perceptions of Shelter. The Waylon Group, based in St. Louis, Missouri, was selected to assist in the project based on its experience in developing brand essence. Together, research was conducted and a method developed for evaluating the results. Waylon also assisted in the development of a new slogan and an advertising campaign tied to the overall findings.

The brand essence pyramid shown below helped convey the concepts to Shelter’s employees and agents. The pyramid highlights concepts such as the brand promise, emotive benefits and reasons to believe as derived from the research.



As a result of these findings, a new slogan emerged: “We’re your Shield. We’re your Shelter.” Based on this slogan, new television and radio commercials and new print materials were developed and deployed. Existing materials were updated with the new branding elements and the new slogan was incorporated where appropriate. A focus on the importance of protecting and promoting Shelter’s brand continues into 2011.



## **New Television Commercials Rolled Out**

Taking the ideas developed in Shelter's brand essence project and turning them into a new television and radio campaign was a major project for the Ad Team in 2010. The essence of the brand is that we are "people with integrity" and the team set out to show everyone what that meant through a new ad campaign. That campaign also introduced our new slogan, "We're your Shield. We're Your Shelter."

Working with an advertising partner, Waylon Ad out of St. Louis, the Ad Team developed the concepts for the commercials. The first one is called "First Love" and explains how at Shelter we realize that the first love of your life might have been made of steel. The next commercial, called "Tree Branch," highlights how we understand how the weather affects our customers because we live there too. The final spot, simply called "Integrity," utilized high tech animation to highlight the people behind the shield.

To view the new commercials, go to [ShelterInsurance.com](http://ShelterInsurance.com) and click on "About Shelter," or go to YouTube and search for Shelter Insurance®.



## Social Media Initiative Launched

With more than 250 million people on Twitter and more than 500 million on Facebook, social media sites continue to grow in popularity. In response to these new opportunities, many companies have developed strategies for using these communication tools. In January 2010, Shelter's CEO and President Dave Moore established a Corporate Standing Committee, chaired by Executive Vice President Don McCubbin, to develop a strategic approach to social media.

The first task undertaken by the committee was to develop strategies that take into account the many compliance issues our industry requires and the significant security concerns associated with social media sites. The committee also explored ideas for implementing best practices. Finally, a plan to monitor social media and other internet sites to keep track of posts, issues and content that could affect Shelter's reputation was finalized. The policies, procedures, monitoring and education strategies established in 2010 will be followed by the deployment of an eLearning training course for agents and employees in 2011, focusing on compliance, security and protection of Shelter's brand.

Once a strategy was formed and governing principles approved, the committee created a corporate Facebook page, a corporate Twitter account and a You Tube channel for viewing Shelter commercials. A plan for on-going postings and content development was then formalized and tested with a goal of increasing promotion for these new communication tools.



**A. M. Best Upgrades Rating of Shelter Reinsurance**

In 2010, A. M. Best upgraded the financial strength rating (FSR) of Shelter Reinsurance Company (Shelter Re) to A (Excellent) from A- and issuer credit ratings (ICR) to "a" from "a-." The Company's rating upgrades were based on its improved capitalization and favorable operating performance. Shelter Re provides a unique diversification strategy that compliments Shelter Mutual's core personal lines book of business through reinsurance. Conversely, as a member of the Shelter group of companies, Shelter Re benefits from access to extensive personal lines experience including claims, underwriting and legal expertise.

The rating upgrades further recognized the explicit and implicit support provided by Shelter Mutual Insurance Company as reflected in its strong risk-adjusted capitalization, technology innovation and experienced management team. Partial offsets included Shelter Re's exposure to catastrophic events worldwide, severe weather-related losses and global competition from larger, more established players.

In addition, A. M. Best affirmed the FSR of A (Excellent) and ICR of "a+" for the Shelter Insurance Group and each of its following members: Shelter Mutual Insurance Company and Shelter General Insurance Company. Additionally, A. M. Best affirmed the FSR of A (Excellent) and ICR of "a" of Haulers Insurance Company, Inc. (Haulers) and Shelter Life Insurance Company (Shelter Life), wholly owned subsidiaries of Shelter Mutual Insurance Company. The outlook for all ratings was stable.



## Shelter Life Insurance Company Recognized For Excellence



Shelter Life Insurance Company was recognized by the Ward Group® as a top-performing life insurer for the fourth consecutive year for achieving outstanding financial results in the areas of safety, consistency and performance over a five-year period from 2005 to 2009. The Ward Group® is an operational consulting firm and leading provider of benchmarking and best practices services to the insurance industry.

The Ward's 50 life-health group of insurance companies produced a 16.1% return on average equity from 2005 to 2009 compared to 3.7% for the life-health industry overall, according to Ward Group®.

In order to qualify as a Ward's 50 company, the following criteria had to be met:

- Surplus of at least \$50 million for each of the five years analyzed
- Adjusted net income in at least four of the last five years. If applicable, the one loss year must be less than 10% of surplus
- Risk-based capital ratio of at least 150% for each of the five years analyzed
- Compound annual growth in premiums between -10% and +40%
- Operations must pass Ward Group's evaluation

## Life Insurance in Force Surpasses \$20 Billion Plateau

Shelter Life Insurance Company's life insurance in force advanced to new levels by reaching \$20,000,000,000 of life insurance in force! The Life Company was incorporated on November 13, 1958. Seventeen years later (1975), the first billion was written. The \$10 billion milestone was reached in 2000. Since that time, an average of \$1 billion of life insurance each year led to the \$20 billion mark.



## **Auto and Homeowners Insurance Score High With J.D. Power**

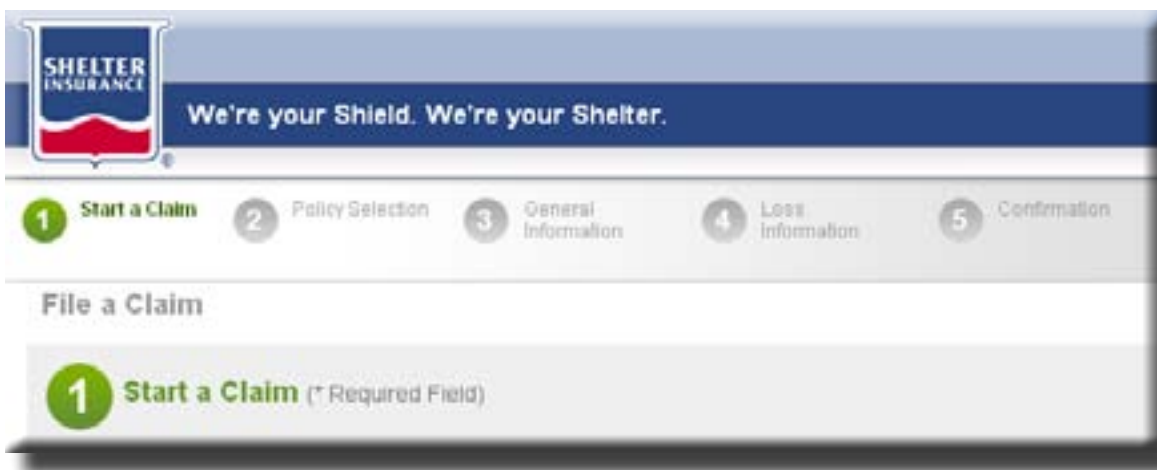
In a 2010 National Insurance Study published by J.D. Power (JDP), Shelter's auto and homeowners policies and service consistently exceeded the industry average for all five core factors: policy offerings, price, billing and payment, overall interaction and claims. Only four companies received a score greater than 800 on the overall customer satisfaction index rankings for automobile sales and service. Shelter was one of those four companies. The evaluation of homeowners revealed Shelter performing in the high satisfaction range as well. JDP noted in the report that, "High-satisfaction insurers continue to achieve higher retention, lower acquisition costs, and pricing power."

The report also identified three key performance indicators where Shelter excelled. According to its research, Shelter's insureds gave the Company high marks for informing them of other products and services, making them aware of discounts and providing adequate explanation of billing notices. Shelter's strong performance in this study confirms that the Company is well positioned to remain a competitive player in the automobile and homeowners insurance markets.

## **Agent and Customer First Notice of Loss - - in Real Time!**

Two new claims applications were rolled out in 2010 – one for agents and the other one for customers. Both applications are capable of delivering claims information directly into the claims system, eliminating the need for more manual data entry after the fact. When the claim is initiated, the claim number is provided to agents and customers in real time. The new tool, prominently displayed on the front page of ShelterInsurance.com, replaced an earlier file-a-claim application.

First rolled out to agents in May, it has become a popular way to quickly get the claims process started. By year end, up to 20 percent of monthly agent claim reports were being made using the new system. Beginning in December, customers could also report claims using the new process.

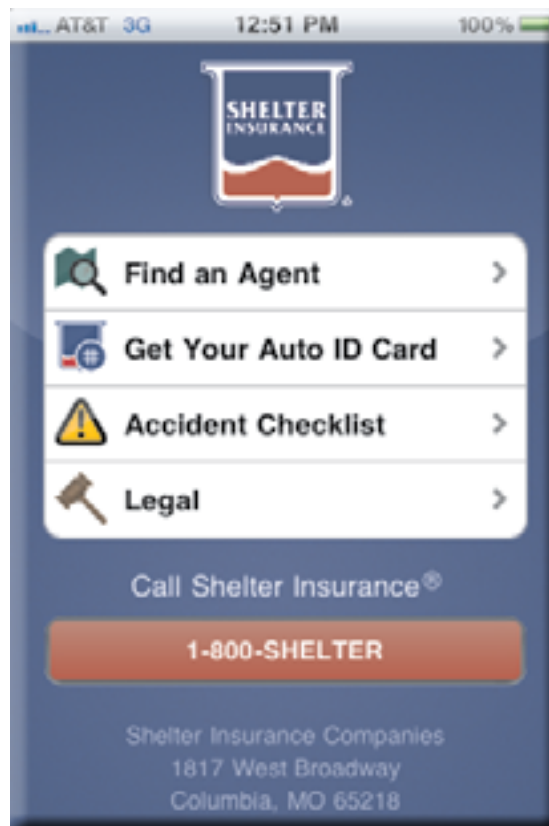


## Shelter Insurance® Mobile App Now Available

To meet the demands of an increasingly mobile population, the Company released its first mobile application over the summer, enabling customers to interact with the Company while on the go. Developed for the iPhone and iPod Touch platforms, the app provides users with several options.

- Find agents in their area or search for a specific agent
- Map and get directions to an agent's office
- Call or e-mail an agent
- View and e-mail their auto ID card
- Record, save and e-mail accident details

There have been over 1,250 downloads of the iPhone application from the Apple iTunes store since its release. Expanded functionality is being considered for future iPhone releases; work is also in progress for an application on the Android platform.



## Shelter Offers Document Delivery Choices

As part of an ongoing effort to improve customer service and gain efficiencies in document delivery, Shelter customers were offered the option of reducing the amount of paper mail they receive from the Company via the United States Postal System (USPS). The Company now offers three choices for receiving documents from Shelter:

- **Stop Mail:** Customers can choose to eliminate most USPS mail (except for certain documents that must be mailed for legal and other reasons). Instead, they will receive e-mail notices when new documents are available electronically in their My Shelter account.
- **Reduce Mail:** Customers can choose to eliminate policy forms and endorsements from USPS mail, but continue to receive other documents by mail.
- **Mail All Documents:** Customers can choose to receive all documents in paper form.

The customers can communicate their choice through an Agent, 1-800-SHELTER (743-5837), or online at ShelterInsurance.com. Customers are required to have a My Shelter account to choose Stop Mail. Regardless of the selection, all customers will continue to have access to personal documents through their My Shelter account.





**Shelter Insurance Companies**  
Financial Highlights

	2010	2009	2008	2007	2006
Assets (in thousands)	\$3,638,301	\$3,457,048	\$3,298,968	\$3,326,688	\$3,131,748
Equity (in thousands)	\$1,347,907	\$1,250,901	\$1,239,720	\$1,351,909	\$1,144,321
P&C Net EP (in thousands)	\$1,227,346	\$1,142,909	\$1,076,719	\$1,036,254	\$1,007,034
P&C Policy Count	1,925,816	1,892,535	1,829,117	1,751,300	1,716,555
Life EP (in thousands)	\$135,578	\$126,025	\$125,427	\$115,847	\$110,002
Life insurance in force	\$20.1 billion	\$19.3 billion	\$18.3 billion	\$17.2 billion	\$16.0 billion
Employees and Agents	3,655	3,583	3,559	3,096	3,094

**The Shelter Insurance® group is made up of the following operating companies:**

- Shelter Mutual Insurance Company
- Shelter General Insurance Company
- Shelter Life Insurance Company
- Shelter Reinsurance Company
- Haulers Insurance Company, Inc.
- Shelter Financial Corporation
- Shelter Financial Bank
- Shelter Financial Services, Inc.
- Shelter Benefits Management Inc.
- Shelter Enterprises, LLC
- Daniel Boone Agency, LLC



Shelter Insurance® first opened its doors in 1946, providing affordable auto insurance to Missourians. With a policy of integrity and customer service for the benefit of our customers, employees, agents and communities, Shelter has grown to be an industry leader in insurance, financial products, and services. In fact, we are now one of the nation's most successful and financially sound regional insurance groups, with an international reinsurance operation.

### Our financial strength ratings as determined by A. M. Best:

Shelter Mutual Insurance Company	A (Excellent)
Shelter General Insurance Company	A (Excellent)
Haulers Insurance Company, Inc.	A (Excellent)
Shelter Life Insurance Company	A (Excellent)
Shelter Reinsurance Company	A (Excellent)

### Office Locations:

Jonesboro, AR	Lexington, KY	Oklahoma City, OK
Little Rock, AR	Baton Rouge, LA	Tulsa, OK
Springdale, AR	Jackson, MS	Lincoln, NE
Denver, CO	Columbia, MO	Las Vegas, NV
Springfield, IL	Kansas City, MO	Columbia, TN
Indianapolis, IN	Springfield, MO	Nashville, TN
Topeka, KS	St. Louis, MO	

### Operating territory for Shelter Mutual, Shelter General and Shelter Life:



### Property and Casualty Operations

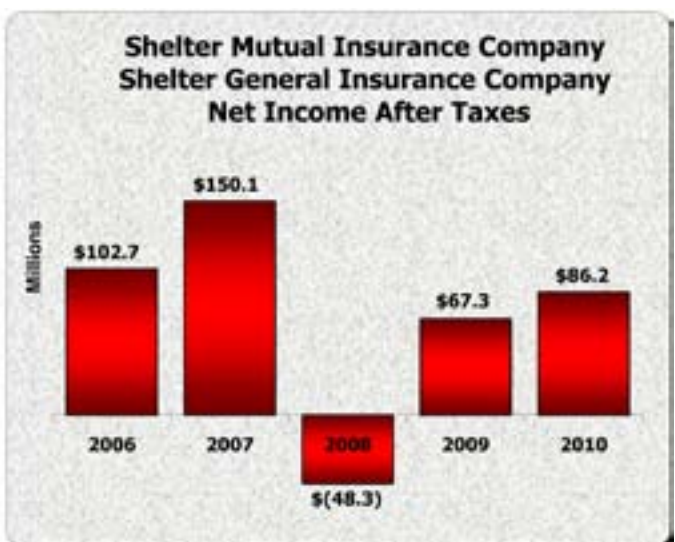
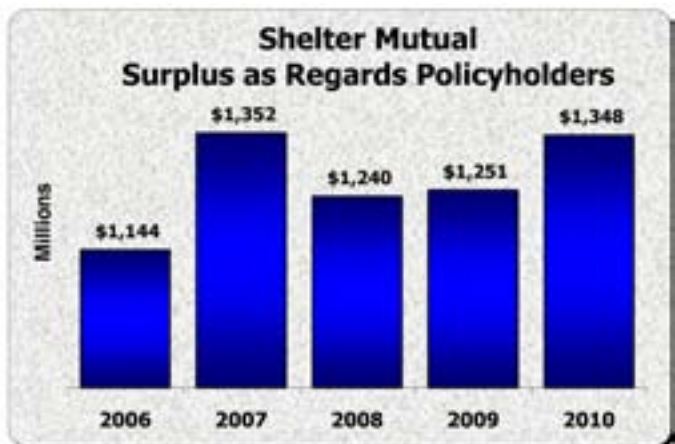
Shelter Mutual (Mutual) and its subsidiary, Shelter General (General), reported underwriting losses due to Midwestern storm activity occurring mainly in the second quarter of the year. Weather related losses were \$187 million for the year, down \$64 million. These storms impacted underwriting returns and resulted in a combined \$46 million underwriting loss. This loss is an improvement of almost \$76 million over the previous year. Mutual and General continued to add to the voluntary pre-event catastrophe reserves. The weather reserve increased to \$28.7 million and the earthquake reserve to \$78.8 million for total pre-event reserves of \$107.5 million.

Through it all, these organizations remain financially strong. Fortunately, the economic climate continued to improve through 2010 from the prior two years and provided stability and realized gains to offset the underwriting losses. Investment returns for Mutual and General provided \$148 million and reflected gains from limited partnerships and common stock holdings as well as intercompany dividends of \$30 million from Shelter Life. General provided a \$9.5 million dividend to Mutual for the year.

Total net income after tax ended the year at \$86.2 million. Mutual's surplus increased \$97 million or 7.8% for the year and ended at \$1.348 billion. Compared to 2009, insurance cash flow from underwriting improved \$84 million to a positive \$45 million and operational cash flow increased \$103 million to \$222 million, resulting in \$136 million of net investment purchases.

The Companies continued to demonstrate exceptional performance. The 2010 gross direct written premium before voluntary assumptions increased 6.11% compared to 2009 and was reported at \$1.15 billion. Auto premiums continue to generate most of the increase. Retention remains high and ending policy count was up 1.77%.

Mutual and General were rated A (Excellent) by A. M. Best Company during 2010. Another indicator of financial strength was the percent of net premiums written to policyholders' surplus, which was less than 100% in 2010. Furthermore, the Companies had no long-term debt obligations. These positive factors provide policyholders the assurance that Shelter Insurance® is a well-capitalized and stable organization, able to fulfill its future commitments.



## SHELTER MUTUAL INSURANCE COMPANY

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

	December 31	
	2010	2009
	<i>(In Thousands)</i>	
<b>Admitted Assets:</b>		
Bonds	\$ 1,027,691	\$ 937,278
Investments in affiliates	570,883	568,070
Common stocks, unaffiliated	303,056	258,079
Other invested assets	174,171	182,082
Cash and short-term investments	72,790	18,024
Real estate	34,480	36,160
Total Cash and Invested Assets	2,183,071	1,999,693
Accrued investment income	15,567	14,480
Premiums receivable	71,002	65,329
Deferred income tax asset	41,852	41,332
Income tax recoverable	220	43,374
Other assets	17,206	23,322
<b>Total Admitted Assets</b>	<b>\$ 2,328,918</b>	<b>\$ 2,187,530</b>
<b>Liabilities and Surplus:</b>		
Unpaid losses and loss expenses	\$ 366,906	\$ 363,968
Unearned and advance premiums	402,218	380,054
Catastrophe reserves	106,187	85,272
Accrued expenses	54,080	52,218
Drafts payable	30,714	35,796
Other liabilities	20,906	19,321
Total Liabilities	981,011	936,629
Total Policyholders' Surplus	1,347,907	1,250,901
<b>Total Liabilities and Surplus</b>	<b>\$ 2,328,918</b>	<b>\$ 2,187,530</b>

**Shelter Mutual and Shelter General Property and Casualty Products**

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

**Auto**

- Private Passenger Auto
- Commercial Auto
- Motorcycle
- Recreational Vehicle

**Property**

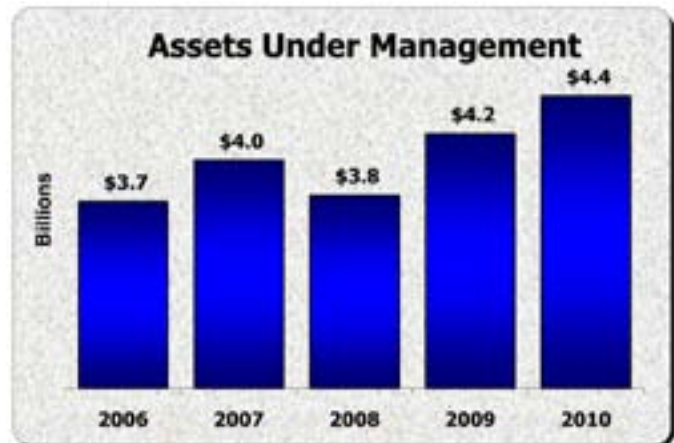
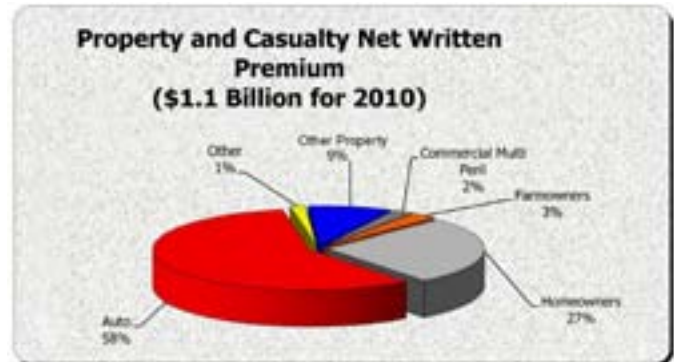
- Homeowners
- Mobile Homeowners
- Farmowners
- Dwelling Fire
- Farm Fire
- Apartment Owners
- Personal Inland Marine
- Boatowners

**Liability**

- Personal Umbrella
- General Liability
- Comprehensive Farm Liability

**Business**

- Business Owners
- Commercial Fire
- Commercial Inland Marine
- Cargo



	2010	2009	2008	2007	2006
<i>(\$ Millions)</i>					
<b>Net Earned Premium</b>	\$1,110,194	\$1,038,065	\$995,739	\$971,120	\$954,283
<b>Percent Change</b>	6.95%	4.25%	2.54%	1.76%	-1.58%
<i>(Thousands)</i>					
<b>Policy Count</b>	1,894.5	1,861.5	1,799.6	1,751.3	1,716.6
<b>Percent Change</b>	1.77%	3.44%	2.76%	2.02%	1.21%



## SHELTER GENERAL INSURANCE COMPANY

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

	<b>December 31</b>	
	<b>2010</b>	<b>2009</b>
	<i>(In Thousands)</i>	
<b>Admitted Assets:</b>		
Bonds	\$ 155,638	\$ 157,750
Investments in affiliates	8,740	8,144
Other invested assets	2,573	2,474
Cash and short-term investments	2,640	6,235
<b>Total Cash and Invested Assets</b>	<b>169,591</b>	<b>174,603</b>
Premiums receivable	9,827	10,224
Other assets	4,408	3,800
<b>Total Admitted Assets</b>	<b>\$ 183,826</b>	<b>\$ 188,627</b>
<b>Liabilities and Net Worth:</b>		
Unpaid losses and loss expenses	\$ 53,200	\$ 53,374
Unearned premium	28,706	29,141
Accrued expenses	3,030	3,234
Other liabilities	5,105	5,471
<b>Total Liabilities</b>	<b>90,041</b>	<b>91,220</b>
Net Worth	93,785	97,407
<b>Total Liabilities and Net Worth</b>	<b>\$ 183,826</b>	<b>\$ 188,627</b>

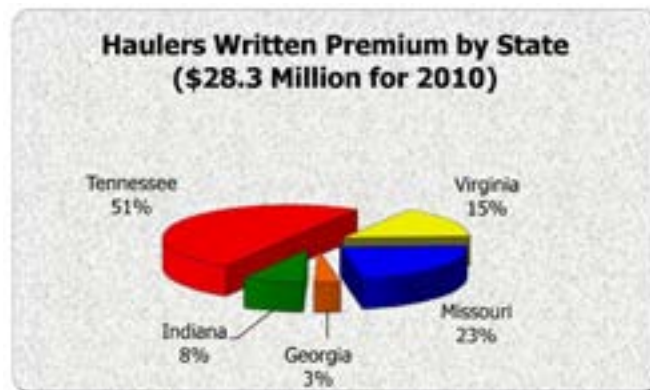
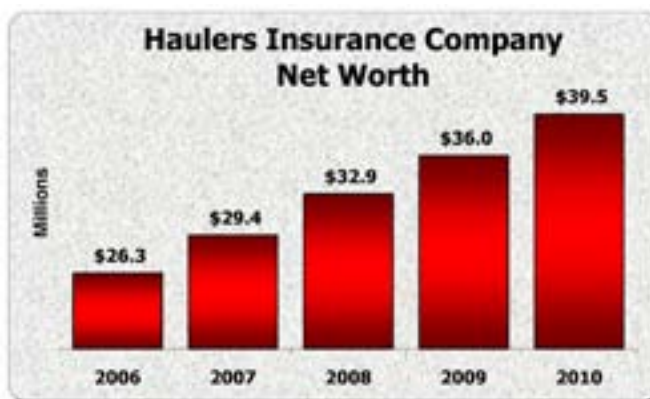
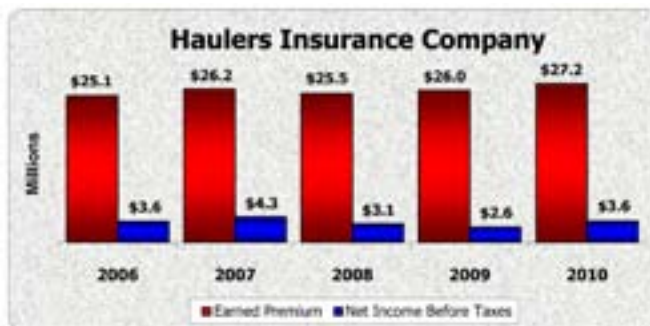
## Haulers Insurance Company, Inc.

In 2010, Haulers Insurance Company, Inc. saw its net income rise over 35% to \$2.8 million. In the midst of continuing market challenges, the Company earned income before taxes of over \$3.6 million on net earned premium of \$27.2 million. Direct written premium rose 3% in 2010, while policies in force grew 1% to 31,337. A greater focus on more expensive commercial policies led to the growth in written premium, outstripping that of the policy count with commercial lines now constituting 26% of overall written premium, up from 24% in 2009.

Haulers' successfully improved its underwriting results from a loss of \$564 thousand to an underwriting gain in 2010 of \$103 thousand. Rate increases began to take effect, which resulted in the Company's total cost of losses and adjustment dropping from 72.60% to 69.35% of net earned premium.

The Company reported net investment income of nearly \$2.2 million, reflective of an investment yield of 4.3% on a bond balance that was \$4 million larger than the prior year. Total invested assets grew 7.9% to over \$52.4 million due to positive net cash from operations. Other income also grew slightly to almost \$1.4 million as increased fees tracked the growth in written premium.

Strategically, Haulers obtained significant growth in its newest state, Georgia, during 2010, generating almost \$1 million in written premium. A new General Liability product was launched in all five states in the last quarter of 2010. By the end of the first quarter of 2011, the Company will begin to offer all its products in the State of Alabama. Additionally, about midyear Haulers plans to offer its Auto Dealers program through Shelter subsidiary Daniel Boone Agency, beginning in Illinois and continuing into Iowa and Kentucky.

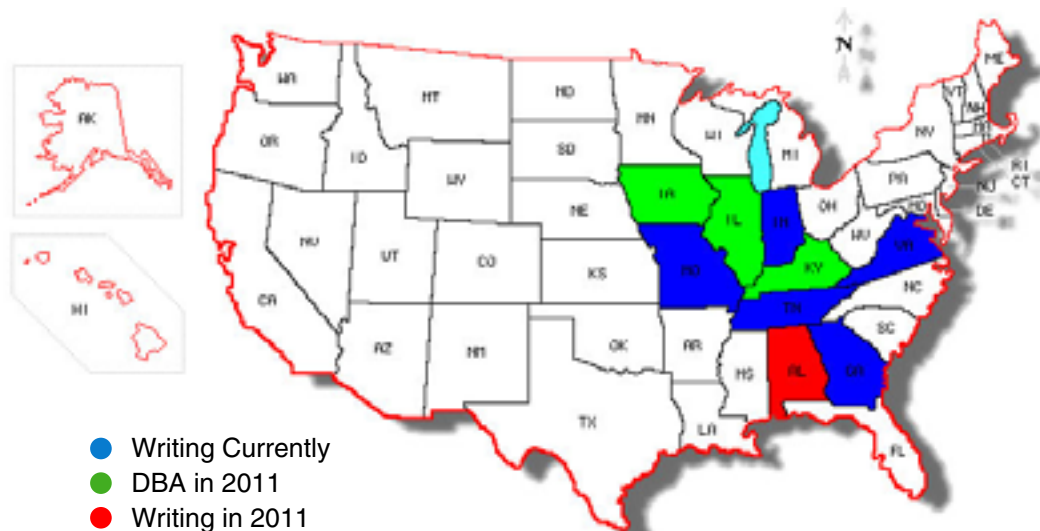


**HAULERS INSURANCE COMPANY, INC.**

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

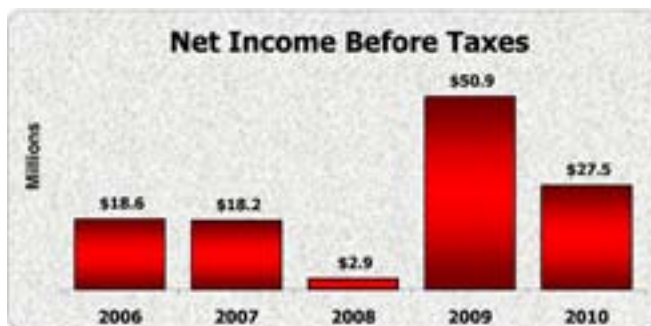
	December 31	
	2010	2009
	<i>(In Thousands)</i>	
<b>Admitted Assets:</b>		
Bonds	\$ 46,313	\$ 41,927
Common stocks, unaffiliated	3,432	2,739
Mortgage Loans	-	7
Real estate	1,007	787
Cash and short-term investments	1,643	3,099
<b>Total Cash and Invested Assets</b>	<b>52,395</b>	<b>48,559</b>
Accrued investment income	572	536
Premiums receivable	5,720	5,639
Other assets	269	146
<b>Total Admitted Assets</b>	<b>\$ 58,956</b>	<b>\$ 54,880</b>
<b>Liabilities and Net Worth:</b>		
Unpaid losses and loss expenses	\$ 9,910	\$ 9,502
Unearned premium	8,757	8,562
Other liabilities	804	768
<b>Total Liabilities</b>	<b>19,471</b>	<b>18,832</b>
<b>Net Worth</b>	<b>39,485</b>	<b>36,048</b>
<b>Total Liabilities and Net Worth</b>	<b>\$ 58,956</b>	<b>\$ 54,880</b>

**HICI State License Map**

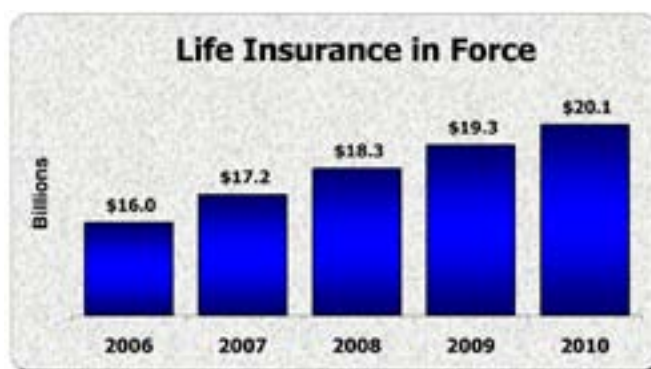


## Shelter Life Insurance Company

Shelter Life recorded profitable results in 2010 with net income before taxes of \$27.5 million, down from \$50.9 million in 2009. During 2009 the entire unaffiliated common stock portfolio of Shelter Life was moved to Shelter Mutual providing \$21.2 million of realized investment gains, which resulted in an increase of net income in 2009. Net worth for 2010 declined \$12.5 million to \$164.1 million after a dividend payment to Shelter Mutual in the amount of \$30 million.

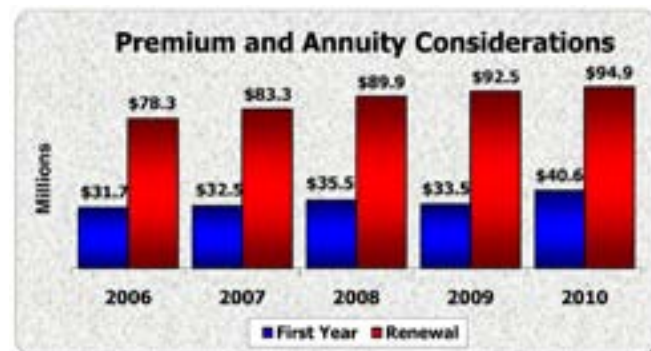


Operational efficiencies and growth in policy count were major contributors to the Company's success. In the past five years, policy count increased by over 31,000 policies. Excellent persistency and stable growth added \$872 million to life insurance in force during 2010 for a total of \$20.1 billion. Total assets at year end were \$961 million, compared to \$940 million in 2009.



Policyholder interest in annuity contracts is reflected in 2010 Shelter Life growth. Total annuity consideration was \$31.6 million, a 50% increase over 2009. Annuity consideration grew to 23% of total premium, up from 17% in 2009.

For the fourth consecutive year, Shelter Life Insurance Company was named one of Ward's 50 top performing life insurance companies. Annually, the Ward Group analyzes the financial performance of over 900 life insurance companies domiciled in the United States and identifies the superior performers. These 50 companies are designated as the "Ward's 50." The Ward's 50 life-health insurance companies produced a 16.1% return on average equity from 2005 to 2009 compared to 3.7% for the industry overall. Shelter Life also received a strength rating of A (Excellent) by A.M. Best.



Shelter Life celebrated the \$20 billion life insurance in force milestone this year. In December, Shelter Life introduced a new 10-, 20- and 30-Year Level Term to Age 100 product. This product includes a new ultra-preferred rate class for non-tobacco users and a preferred smoker rate class.



**SHELTER LIFE INSURANCE COMPANY**

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

	<b>December 31</b>	
	<b>2010</b>	<b>2009</b>
	<i>(In Thousands)</i>	
<b>Admitted Assets:</b>		
Bonds	\$ 830,131	\$ 816,604
Investments in affiliates	7,945	7,403
Mortgage loans on real estate, affiliated	5,880	6,068
Other invested assets	40,022	23,374
Policy loans	25,990	26,367
Cash and short-term investments	2,146	13,127
<b>Total Cash and Invested Assets</b>	<b>912,114</b>	<b>892,943</b>
Deferred and uncollected premiums	25,650	23,253
Accrued investment income	9,556	9,088
Other assets	14,026	15,125
<b>Total Admitted Assets</b>	<b>\$ 961,346</b>	<b>\$ 940,409</b>
<b>Liabilities and Net Worth</b>		
Aggregate reserves	\$ 706,241	\$ 669,636
Liability for deposit type contracts	58,075	59,064
Policy and contract claims	8,548	10,712
Due to affiliated companies	2,274	2,219
Asset valuation reserve	3,318	2,433
Other liabilities	18,781	19,695
<b>Total Liabilities</b>	<b>797,237</b>	<b>763,759</b>
<b>Net Worth</b>	<b>164,109</b>	<b>176,650</b>
<b>Total Liabilities and Net Worth</b>	<b>\$ 961,346</b>	<b>\$ 940,409</b>

**Products Offered**

**Life**

Platinum Shield® III Universal Life  
 Whole Life  
 20 Pay Whole Life  
 Platinum Protector Level Term (10, 20, 30 Years)  
 Yearly Renewable Term  
 EZ Term  
 Junior Special  
 Secure Whole Life

**Annuities**

Platinum Shield® Single Premium Deferred Annuity  
 Platinum Shield® Flexible Premium Deferred Annuity  
 Interest Sensitive Single Premium Deferred Annuity  
 Interest Sensitive Flexible Premium Deferred Annuity  
 Single Premium Immediate Annuity

**Shelter Reinsurance Company**

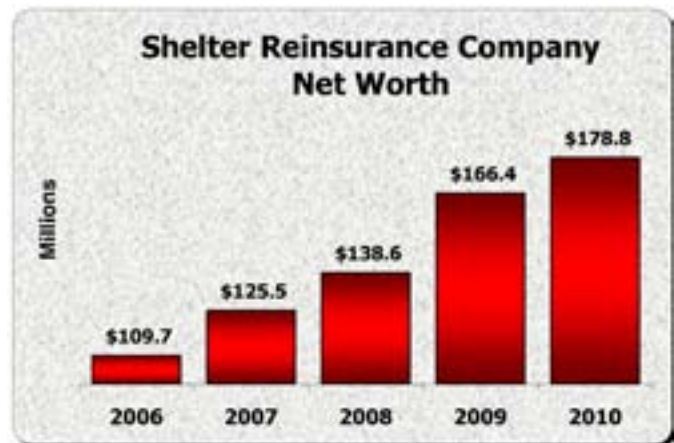
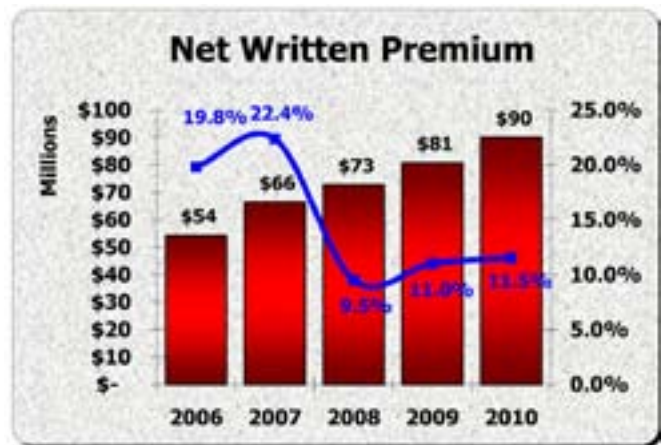
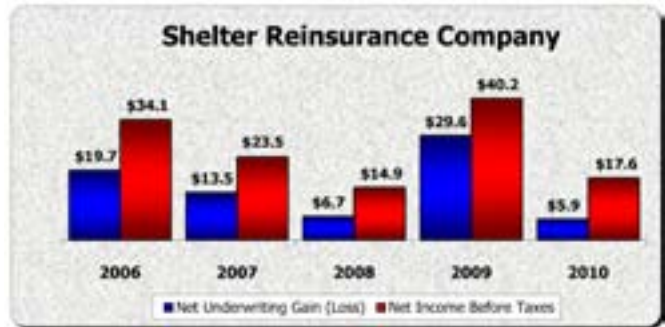
Shelter Reinsurance, an established world-wide property reinsurer, derived nearly 75% of its 2010 premium from international markets. Customers varied in size and exposure with Europe and the United Kingdom producing the majority of the international premium. The domestic market generated the other 25% of the 2010 premium with a continued focus on small mutual companies writing less than \$10 million in direct written premiums. For domestic writings, there continued to be an emphasis on assuming business in areas with little or no overlap with the writings of Shelter Mutual.

The initial phase of the Company’s multi-year growth plan, implemented in 2009, included identification of areas around the world where market exposure and property profiles fit its risk tolerance. In 2010, the Company began the process of expanding to these new markets while continuing to look for new territory opportunities. The next phase of the plan calls for increasing current targeted relationships where concentrations of property risk are not an issue.

Shelter Reinsurance Company showed continued growth as a result of this expansion in 2010. Net premium writings increased 11.5% to \$90 million up from \$81 million in 2009. Over the last five years, the Company experienced year-over-year premium growth averaging nearly 15%. Two large earthquake losses during 2010 in Chile and New Zealand reduced the amount of underwriting profit as compared to 2009. Even with these loss events, Shelter Reinsurance still produced underwriting profits of \$5.9 million. Net worth overall increased 7.5%, or \$12.4 million to a total of \$178.8 million.

The Company’s improved capitalization and favorable operating performance resulted in a rating upgrade by A.M. Best from A- to A (Excellent).

Profitable growth in the international marketplace with a strong focus on establishing and maintaining long term relationships will drive future success. As part of a mutual group, the affinity towards mutual and cooperative insurance sectors when seeking out new partnerships will continue. The Company’s reputation for prompt claims payment and its financial strength will also play a major role in achieving strong growth in 2011.

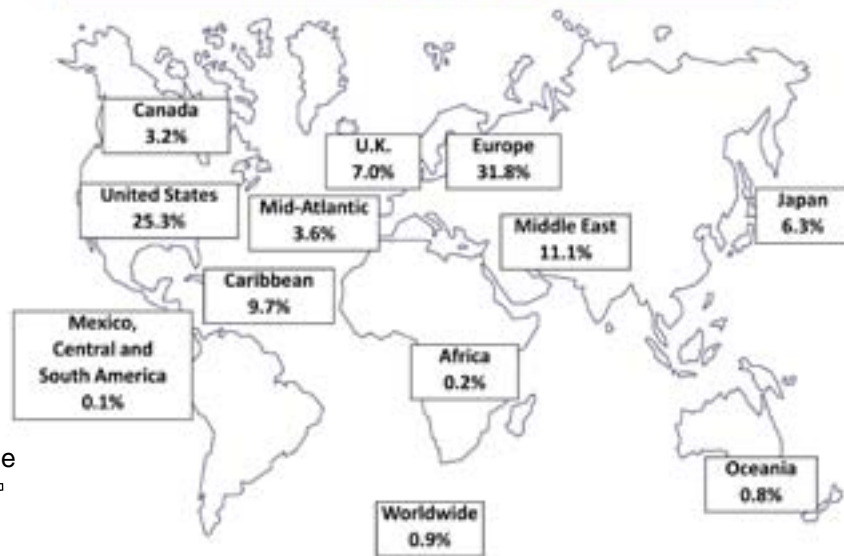


**SHELTER REINSURANCE COMPANY**

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

	December 31	
	2010	2009
	<i>(In Thousands)</i>	
<b>Admitted Assets:</b>		
Bonds	\$ 249,315	\$ 225,432
Cash and short-term investments	20,172	10,412
Other equity investments, affiliated	424	375
Total Cash and Invested Assets	<u>269,911</u>	<u>236,219</u>
Accrued investment income	3,067	2,825
Income tax recoverable	457	406
Other assets	<u>12,066</u>	<u>12,079</u>
<b>Total Admitted Assets</b>	<u>\$ 285,501</u>	<u>\$ 251,529</u>
<b>Liabilities and Net Worth</b>		
Unpaid losses and loss adjustment expense	\$ 86,048	\$ 63,731
Unearned premium	18,940	18,878
Other Liabilities	<u>1,763</u>	<u>2,535</u>
Total Liabilities	<u>106,751</u>	<u>85,144</u>
Net Worth	<u>178,750</u>	<u>166,385</u>
<b>Total Liabilities and Net Worth</b>	<u>\$ 285,501</u>	<u>\$ 251,529</u>

**SHELTER REINSURANCE COMPANY  
Distribution of Signed Premium**



As of January 31, 2011

**Shelter Financial Bank**

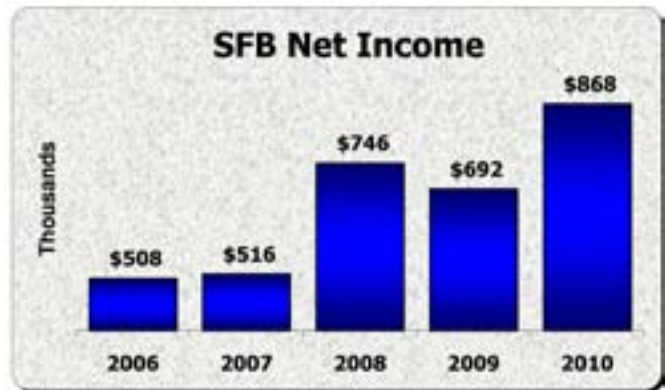
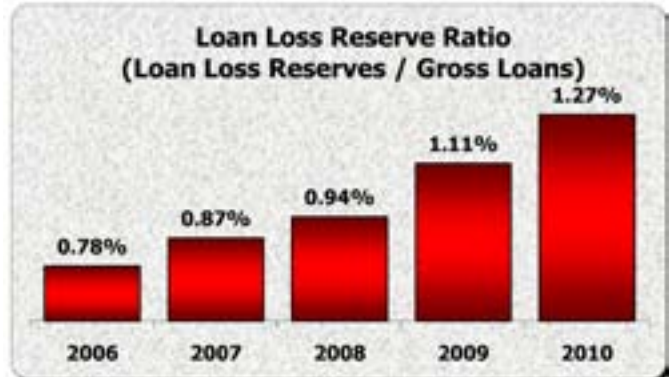
Shelter Bank’s conservative philosophy of focusing on safety, profitability, and growth continued to serve it well during 2010. In spite of the trying times experienced in the banking industry, the Bank consistently outperformed its peers in virtually all measurable categories.

Capitalization was strong at 9.26% of assets. Asset quality remained excellent with past due and non-performing loan levels a fraction of peers. Reserves for possible loan losses were bolstered considerably to a record high level of \$2,077,000, due to general economic conditions. This reserve level exceeded that held by most of the banking industry, particularly relative to levels of troubled assets, and provided considerable protection to future earnings and capitalization. As a result, Shelter Bank remained a safe place for customers to bank.

Net income totaled \$868,000, thanks to strong loan growth, improving interest margins and strict control of overhead. For the seventh consecutive year, the Bank delivered record pre-tax earnings.

Shelter Bank ended 2010 with total assets of \$180 million, a decrease of \$16 million. This decrease was due to the expiration of an inexpensive Federal Reserve funding program that was discontinued early in the year.

Given all the challenges that the industry faced in 2010, Shelter Bank is very pleased with its excellent results.



**SHELTER FINANCIAL BANK**

**Statements of Financial Condition**

	<b>December 31</b>	
	<b>2010</b>	<b>2009</b>
	<i>(In Thousands)</i>	
<b>Assets:</b>		
Loans, net	\$ 162,053	\$ 158,683
Certificates of Deposit	7,514	32,243
Federal home loan bank and MIB stock, at cost	2,416	1,999
Cash and due from banks	5,477	720
Accrued interest receivable	596	649
Other assets	2,039	2,258
<b>Total Assets</b>	<b>\$ 180,095</b>	<b>\$ 196,552</b>
<b>Liabilities and Net Worth:</b>		
Deposits	\$ 117,037	\$ 99,910
Other borrowed funds	44,971	79,519
Other liabilities	1,409	1,313
<b>Total Liabilities</b>	<b>163,417</b>	<b>180,742</b>
Net Worth	16,678	15,810
<b>Total Liabilities and Net Worth</b>	<b>\$ 180,095</b>	<b>\$ 196,552</b>

**Shelter Financial Bank Services**

**Real Estate Loan Products:**

**First Mortgage Loan Products (Fixed & Adjustable Rates):**

Owner Occupied Real Estate Mortgages  
 1-4 Family Rental Property Mortgages  
 Commercial Real Estate Loans

**Home Equity Loan Products:**

Home Equity Fixed-Rate Loans  
 Home Equity Lines of Credit

**Consumer Loan Products:**

Autos  
 RVs  
 Boats  
 Motorcycles  
 Personal Watercraft

**Deposit Products:**

Certificates of Deposit  
 Money Market Accounts

## BOARD OF DIRECTORS

J. Donald Duello, *Chair and Director*  
 Ann K. Covington, *Vice Chair and Director*  
 Gerald T. Brouder, *Director*  
 Randall C. Ferguson, Jr., *Director*  
 Raymond E. Jones, *Director*  
 Philip K. Marblestone, *Director*  
 Don A. McCubbin, *Director*  
 Barry L. McKuin, *Director*  
 J. David Moore, *Director*

## OFFICERS

J. David Moore, *President and Chief Executive Officer*  
 Jerry L. French, *Executive Vice President, Treasurer and Assistant Secretary*  
 William C. Keithley, *Executive Vice President*  
 Don A. McCubbin, *Executive Vice President*  
 Rick L. Means, *Executive Vice President*

David N. Abbott  
*Vice President of Investments*

Joe L. Moseley  
*Vice President of Public Affairs*

S. Daniel Clapp  
*Vice President of Actuarial*

Randa Rawlins  
*Secretary and General Counsel*

Rockne P. Corbin  
*Vice President and General Manager*  
 SHELTER REINSURANCE COMPANY

Francis (Frank) L. Thompson IV  
*Vice President of Marketing*

Terry L. Dykes  
*Vice President of General Services*

J. Cliff Walker  
*President and Chief Operating Officer*  
 HAULERS INSURANCE COMPANY, INC.

Yvette M. Gonzales  
*Vice President of Information Services*

Todd J. Weyler  
*Vice President of Underwriting*

Teresa K. Magruder  
*Vice President and General Manager*  
 SHELTER LIFE INSURANCE COMPANY

James R. (Ron) Wheeling  
*President and Chief Executive Officer*  
 SHELTER FINANCIAL BANK

Mary Lou Mills  
*Vice President*  
 SHELTER BENEFITS MANAGEMENT INC

Christina M. Workman  
*Vice President of Accounting and*  
*Assistant Treasurer*

Madison M. (Matt) Moore  
*Vice President of Claims*



## Multiple Winners of the 29th Fred V. Heinkel Award for Excellence

James Pennell of Kingdom City, Mo. and, Darrah Berck, of Thompson, Mo. (pictured below), were two of the recipients of the 29th Shelter Insurance Foundation's Fred V. Heinkel Award for Excellence.

James Pennell was honored for bravery in recognition of his quick action to save the life of a two-year-old child in July 2009. Pennell is responsible for saving the life of a child by throwing himself in front of a van and pushing the child out of harms way on a Fulton, Mo., street. As a result of his heroic act, James sustained severe injuries and underwent multiple surgeries on his knee and right shoulder. He has since recovered from his injuries and returned to work.

Berck, a pre-med student, received the award for her donation of a kidney, which saved the life of childhood friend, Lexa Brooks, who was diagnosed with Wegener's Granulomatosis, a life-threatening disease, in March 2008. The transplant was successfully performed in May of 2010.

The Shelter Insurance Foundation presented additional Heinkel Awards for Excellence to Donald Doza of the Missouri State Highway Patrol and David Gehm, a Cooper County volunteer firefighter. Both risked their life to rescue an 80-year-old man who was trapped inside a van parked behind a burning vehicle.

The Heinkel Award recognizes individuals or organizations that have demonstrated excellence in any area of science, medical research, health services, education, history, agriculture or any other field designated by the Shelter Insurance Foundation board of directors. Mr. Heinkel served as chairman of MFA Mutual Insurance from the Companies founding in 1946 until his retirement in 1981.



## Partners in Education Association Still Going Strong

In 1984, Gus Lehr, retired Chairman of Shelter's Board of Directors and the late Dr. Muriel Battle, former principal of West Jr. High School (WJHS) formed one of Columbia's first school-business partnerships. Now in its 26th season, the partnership continues to thrive.

One of the long-standing programs Shelter sponsors at WJHS is the Holiday greeting card program. All students are eligible to contribute original works of art to the card program competition. The contest provides a real-world teaching tool for the faculty by enabling students to put into practice specific techniques learned in the classroom. Although it can be difficult to motivate students to create Christmas pictures in May, the exercise furnishes insight on how professional designers work in advance of a season while dealing with current clients, guidelines and deadlines.

Once the three winning entries are selected, Shelter prints and packages the cards, which are purchased by Shelter Insurance® agents, employees and retirees and by WJHS staff and families of students. Now in its 21st season, the Christmas card program has produced more than 195,000 Christmas cards illustrated with original art created by 60 WJHS students.



Shelter also awards two scholarships per year to WJHS students as well as recognizing one member of the faculty as the Outstanding Contributor for the year. Additionally, the Lehr/Battle Outstanding Achievement Award is presented annually to one female and one male student. This non-monetary award recognizes students for outstanding performance during the school year.

Finally, Shelter recycles all of its used toner cartridges through WJHS. This program enables the school to purchase equipment for the school's computer lab. Employees also donate General Mills and Betty Crocker box tops to the school. The box tops are redeemed for cash and used to purchase needed items for the school. Since 2002, the school has received a total of \$3,017 from this program, including \$110 during the 2009-2010 school year.

## United Way Donations Keep Pace with Last Year's Record

The Company and its employees made 2010 another outstanding year for United Way giving. Giving by employees and retirees fell just a little short of last year's record-setting performance; nevertheless, with corporate contributions, Shelter's total support of the United Way actually exceeded last year's record.

Shelter also sponsored a Live United Action Team of workers to the National Day of Caring campaign. Part of the team spent the day at the Services for Independent Living offices, trimming hedges, cleaning up decks, flower beds, parking lots and washing exterior windows. The rest of the group worked inside, removing old wall paper, doing deep cleaning and removing and replacing old wallboard in one of the handicap restrooms.



## The Golden Link

Prominently displayed in Shelter's Home Office cafeteria is a large three-panel mural depicting the roots of the insurance industry and the progress it has made into the 20th century. One of the early leaders of the insurance industry in America, Ben Franklin, envisioned a Golden Link -- Linked Mutuality -- that connects individuals in need with a larger group of individuals who are capable of meeting those needs. The concept of the Golden Link is alive and well at Shelter Insurance®.

Since 1946, Shelter has facilitated that helping process through the sale and servicing of insurance products. Care and concern for others, however, extends well beyond the business of selling and servicing insurance policies. The people of Shelter Insurance® distinguish themselves every day by stepping up and making a difference for others who are disadvantaged due to events and circumstances beyond their control. Obviously, not every story can be told; nevertheless, here are a few examples of employees and agents from across Shelter's 14-state operating area who have stepped into the gap to provide help and hope to those struggling in life.

Co-workers from the Life Company teamed with MU Children's Hospital on a project called "Books for Babies." Books, stuffed animals, coloring books and crayons were collected and attractively packaged to be given to the young patients and their parents. The way the program works is whenever a child is admitted, they receive a book. At the start of subsequent months, the child receives another book so the parents will have something new to read to them. Sometimes the patients are small babies, so fragile the parents can't even touch them. By reading to them, the parents are able to bond with their child through voice recognition. Each month when a new book is presented, members of the nursing staff put the baby's footprint inside the front cover as a means of helping the parents see how much the child has grown during the past month.

Another program aimed toward kids is sponsored by Arkansas agent Grant Westmoreland, who hosts a charity fishing tournament each year on his property to raise money for the Sheridan Chamber of Commerce scholarship fund. More than 400 youngsters and their family members participated in the June event, raising in excess of \$2,000 for the scholarship fund.



Members of the Home Office Information Services staff combined fund raising with promoting a healthy lifestyle by participating in a Half Marathon in St. Louis. Some ran to benefit the Missouri Beef Council's "Protein Team" while others raised funds for the Leukemia and Lymphoma Society.

Shelter's Central Region Marketing, Claims and Underwriting staff collaborated on a holiday project to benefit Coyote Hills, a professional home of love for abused and neglected children. Donations for this project added up to \$1,910. Retired Shelter executive Mark Zimmer was instrumental in establishing Coyote Hills as a place where children could grow, learn, laugh and love in a safe and affirming environment.



The Topeka Office hosted a competition among its employees to collect food and other non-perishable items to benefit charities in their home town. Given current economic conditions, food pantries and other such agencies are being challenged to meet the needs of a growing segment of the population who has fallen on hard times. The competition resulted in the collection of over 750 items to be distributed in the Topeka, Kansas community.



The American Cancer Society was another organization that benefited from the efforts of the people of Shelter. Four teams represented the Company in the annual Relay for Life event held in June. The stars of this story are the quadruplets of a former Home Office Underwriter and current office assistant for Columbia agent Clint Miller. This year for the childrens' ninth birthday, they hosted a party at a local health club and asked that in lieu of gifts, everyone provide a donation to the American Cancer Society. Several members of the Home Office staff, agency force and claims office pitched in to provide support for the party. As a result of the birthday party and the fundraising efforts of the four teams involved, \$11,000 was donated to the cause to find a cure for cancer.

The National Multiple Sclerosis Society was enriched by \$8,596 thanks to the efforts of 20 riders and 11 volunteers who competed in the MS 150, a national event that raises awareness of Multiple Sclerosis and helps fund research for a cure for this debilitating disease. Team Shelter was recognized at the awards ceremony for having the team with the most participants.

The Little Rock, Arkansas branch office has been featured in this section for the past two years for their food drive and "food sculpture" competition. Shelter is pleased to once again recognize the efforts of branch manager Shawn Knauts and her staff for conducting another outstanding event. When it was reported that charitable giving was down in all areas of the state, everyone pitched in to ensure a successful campaign. Shelter adjusters set up drop boxes at wrecker services, body shops and restoration companies. Shelter agents worked the phones, seeking donations from local businesses. The goal of the campaign was to surpass the 2,008 pounds of food collected the previous year. When the weigh-in was completed, the 2010 total was 5,530 pounds plus \$400 in cash. Mission accomplished!



Shelter Insurance® is proud of the accomplishments of its agents and employees in meeting and servicing the insurance needs of its policyholders. The Company is equally impressed with the generosity of those who give of their personal resources to lend assistance to their fellow citizens. The next time you see the Shield emblematic of Shelter Insurance®, think of the people behind that Shield. They represent a team you can count on!







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