



QUARTERLY STATEMENT

As of March 31, 2011  
of the Condition and Affairs of the

AMERICAN EMPIRE INSURANCE COMPANY

NAIC Group Code.....0084, 0084 (Current Period) (Prior Period)	NAIC Company Code..... 37990	Employer's ID Number..... 31-0973761
Organized under the Laws of OHIO	State of Domicile or Port of Entry OHIO	Country of Domicile US
Incorporated/Organized..... November 26, 1979	Commenced Business..... August 20, 1980	
Statutory Home Office	580 WALNUT STREET..... CINCINNATI, ..... OH ..... 45202 (Street and Number) (City or Town, State and Zip Code)	
Main Administrative Office	580 WALNUT STREET..... CINCINNATI, ..... OH ..... 45202 (Street and Number) (City or Town, State and Zip Code)	513-369-3000 (Area Code) (Telephone Number)
Mail Address	P.O. BOX 5370..... CINCINNATI, ..... OH ..... 45201 (Street and Number or P. O. Box) (City or Town, State and Zip Code)	
Primary Location of Books and Records	580 WALNUT STREET..... CINCINNATI, ..... OH ..... 45202 (Street and Number) (City or Town, State and Zip Code)	513-369-3000 (Area Code) (Telephone Number)
Internet Web Site Address	www.aeslic.com	
Statutory Statement Contact	THOMAS MATTHEW HELD (Name) mhheld@gaic.com (E-Mail Address)	513-369-3040 (Area Code) (Telephone Number) (Extension) 513-412-7800 (Fax Number)

OFFICERS

Name	Title	Name	Title
1. FREDERICK JAMES WOEBSE	President & Chief Operating Officer	2. KAREN HOLLEY HORRELL	Secretary
3. THOMAS MATTHEW HELD	Vice President & Treasurer	4. RONALD JAMES BRICHLER	Chairman
LEONARD JOHN MIKULSKI	Senior Vice President	LARRY STEPHEN POTRAFKE	Senior Vice President
DAVID LESLIE BLUMBERG	Vice President	LEO ANTHONY HAAS	Vice President
DAVID ALAN PRELL	Vice President	VINCENT ANTHONY SAWMA	Vice President
RICHARD DUANE WEYHRICH	Vice President	DIANNE WILLIAMS	Vice President
KATHLEEN URBACH KUCZAJ	Assistant Vice President	KATHY LYNN PEREZ	Assistant Vice President
TRENA KAY RYAN	Assistant Vice President	JEFF WALTER SCHRAER	Assistant Vice President
DAVID WILLIAM SHEPARD	Assistant Vice President	STEPHEN CHARLES BERAHA	Assistant Secretary
EVE CUTLER ROSEN	Assistant Secretary	THOMAS EDWARD MISCHELL	Assistant Treasurer
DAVID JOHN WITZGALL	Assistant Treasurer	ROBERT JUDE ZBACNIK	Assistant Treasurer

DIRECTORS OR TRUSTEES

RONALD JAMES BRICHLER	GARY JOHN GRUBER	KAREN HOLLEY HORRELL	DONALD DUMFORD LARSON
EVE CUTLER ROSEN	DAVID JOHN WITZGALL	FREDERICK JAMES WOEBSE	

State of.....OHIO  
County of....HAMILTON

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions and Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
FREDERICK JAMES WOEBSE	KAREN HOLLEY HORRELL	THOMAS MATTHEW HELD
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
President & Chief Operating Officer	Secretary	Vice President & Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me	a. Is this an original filing?	Yes [ X ] No [ ]
This _____ day of _____	b. If no:	
	1. State the amendment number	_____
	2. Date filed	_____
	3. Number of pages attached	_____

AMERICAN EMPIRE INSURANCE COMPANY  
ASSETS

	Current Statement Date			4
	1	2	3	
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	December 31 Prior Year Net Admitted Assets
1. Bonds.....	31,991,515	0	31,991,515	33,231,141
2. Stocks:				
2.1 Preferred stocks.....	1,623,600	0	1,623,600	2,561,600
2.2 Common stocks.....	348,713	0	348,713	348,974
3. Mortgage loans on real estate:				
3.1 First liens.....	0	0	0	0
3.2 Other than first liens.....	0	0	0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....	0	0	0	0
4.2 Properties held for the production of income (less \$.....0 encumbrances).....	0	0	0	0
4.3 Properties held for sale (less \$.....0 encumbrances).....	0	0	0	0
5. Cash (\$.....51,282), cash equivalents (\$.....0) and short-term investments (\$.....2,395,487).....	2,446,769	0	2,446,769	79,774
6. Contract loans (including \$.....0 premium notes).....	0	0	0	0
7. Derivatives.....	0	0	0	0
8. Other invested assets.....	0	0	0	0
9. Receivables for securities.....	0	0	0	0
10. Securities lending reinvested collateral assets.....	0	0	0	0
11. Aggregate write-ins for invested assets.....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	36,410,597	0	36,410,597	36,221,489
13. Title plants less \$.....0 charged off (for Title insurers only).....	0	0	0	0
14. Investment income due and accrued.....	456,980	0	456,980	403,782
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	273,531	0	273,531	165,795
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....	0	0	0	0
15.3 Accrued retrospective premiums.....	0	0	0	0
16. Reinsurance:				
16.1. Amounts recoverable from reinsurers.....	44,451	0	44,451	227,415
16.2 Funds held by or deposited with reinsured companies.....	0	0	0	0
16.3 Other amounts receivable under reinsurance contracts.....	0	0	0	0
17. Amounts receivable relating to uninsured plans.....	0	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon.....	0	0	0	0
18.2 Net deferred tax asset.....	1,128,005	205,514	922,491	964,090
19. Guaranty funds receivable or on deposit.....	0	0	0	0
20. Electronic data processing equipment and software.....	0	0	0	0
21. Furniture and equipment, including health care delivery assets (\$.....0).....	0	0	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates.....	0	0	0	0
23. Receivables from parent, subsidiaries and affiliates.....	22,810	0	22,810	18,564
24. Health care (\$.....0) and other amounts receivable.....	0	0	0	0
25. Aggregate write-ins for other than invested assets.....	0	0	0	4,809
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	38,336,374	205,514	38,130,860	38,005,944
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0	0
28. Total (Lines 26 and 27).....	38,336,374	205,514	38,130,860	38,005,944

DETAILS OF WRITE-INS

1101. ....	0	0	0	0
1102. ....	0	0	0	0
1103. ....	0	0	0	0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	0	0	0	0
2501. Other receivables.....	0	0	0	4,809
2502. ....	0	0	0	0
2503. ....	0	0	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	0	0	0	4,809

AMERICAN EMPIRE INSURANCE COMPANY  
LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31 Prior Year
1. Losses (current accident year \$....301,074).....	8,144,528	8,257,290
2. Reinsurance payable on paid losses and loss adjustment expenses.....	152,872	197,394
3. Loss adjustment expenses.....	2,813,086	2,856,841
4. Commissions payable, contingent commissions and other similar charges.....	291,833	309,821
5. Other expenses (excluding taxes, licenses and fees).....	394,591	363,473
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	28,872	32,359
7.1 Current federal and foreign income taxes (including \$....(9,162) on realized capital gains (losses)).....	142,893	244,324
7.2 Net deferred tax liability.....	0	0
8. Borrowed money \$.....0 and interest thereon \$.....0.....	0	0
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$.....0 and including warranty reserves of \$.....0).....	1,374,922	1,380,411
10. Advance premium.....	0	0
11. Dividends declared and unpaid:		
11.1 Stockholders.....	0	0
11.2 Policyholders.....	0	0
12. Ceded reinsurance premiums payable (net of ceding commissions).....	(1,012)	0
13. Funds held by company under reinsurance treaties.....	0	0
14. Amounts withheld or retained by company for account of others.....	0	0
15. Remittances and items not allocated.....	0	0
16. Provision for reinsurance.....	1,090	1,090
17. Net adjustments in assets and liabilities due to foreign exchange rates.....	0	0
18. Drafts outstanding.....	0	0
19. Payable to parent, subsidiaries and affiliates.....	77,577	79,009
20. Derivatives.....	0	0
21. Payable for securities.....	0	0
22. Payable for securities lending.....	0	0
23. Liability for amounts held under uninsured plans.....	0	0
24. Capital notes \$.....0 and interest thereon \$.....0.....	0	0
25. Aggregate write-ins for liabilities.....	61,260	55,183
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....	13,482,512	13,777,195
27. Protected cell liabilities.....	0	0
28. Total liabilities (Lines 26 and 27).....	13,482,512	13,777,195
29. Aggregate write-ins for special surplus funds.....	298,647	298,871
30. Common capital stock.....	3,100,000	3,100,000
31. Preferred capital stock.....	0	0
32. Aggregate write-ins for other than special surplus funds.....	0	0
33. Surplus notes.....	0	0
34. Gross paid in and contributed surplus.....	16,100,000	16,100,000
35. Unassigned funds (surplus).....	5,149,700	4,729,878
36. Less treasury stock, at cost:		
36.1 .....0.000 shares common (value included in Line 30 \$.....0).....	0	0
36.2 .....0.000 shares preferred (value included in Line 31 \$.....0).....	0	0
37. Surplus as regards policyholders (Lines 29 to 35, less 36).....	24,648,347	24,228,749
38. Totals.....	38,130,860	38,005,944

DETAILS OF WRITE-INS		
2501. Retrospective premium payable.....	59,201	55,183
2502. Other payables.....	2,059	0
2503. ....	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	61,260	55,183
2901. Additional admitted deferred taxes assets - SSAP 10R.....	298,647	298,871
2902. ....	0	0
2903. ....	0	0
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	298,647	298,871
3201. ....	0	0
3202. ....	0	0
3203. ....	0	0
3298. Summary of remaining write-ins for Line 32 from overflow page.....	0	0
3299. Totals (Lines 3201 thru 3203 plus 3298) (Line 32 above).....	0	0

AMERICAN EMPIRE INSURANCE COMPANY  
STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct..... (written \$.....0).....	0	0	0
1.2 Assumed..... (written \$.....720,097).....	721,568	919,718	3,496,218
1.3 Ceded..... (written \$.....(1,839)).....	(1,839)	0	71,448
1.4 Net..... (written \$.....721,936).....	723,407	919,718	3,424,770
DEDUCTIONS:			
2. Losses incurred (current accident year \$.....322,844):			
2.1 Direct.....	0	122	(92)
2.2 Assumed.....	(225,150)	(71,297)	(1,852,156)
2.3 Ceded.....	(420,209)	(264,093)	(832,627)
2.4 Net.....	195,059	192,918	(1,019,621)
3. Loss adjustment expenses incurred.....	153,154	242,274	256,060
4. Other underwriting expenses incurred.....	254,604	276,237	919,416
5. Aggregate write-ins for underwriting deductions.....	0	0	0
6. Total underwriting deductions (Lines 2 through 5).....	602,818	711,429	155,855
7. Net income of protected cells.....	0	0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7).....	120,589	208,289	3,268,915
INVESTMENT INCOME			
9. Net investment income earned.....	388,001	449,004	1,759,438
10. Net realized capital gains (losses) less capital gains tax of \$.....(9,162).....	36,744	70,856	132,965
11. Net investment gain (loss) (Lines 9 + 10).....	424,746	519,860	1,892,403
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....0).....	0	0	0
13. Finance and service charges not included in premiums.....	0	0	0
14. Aggregate write-ins for miscellaneous income.....	0	0	0
15. Total other income (Lines 12 through 14).....	0	0	0
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	545,335	728,149	5,161,317
17. Dividends to policyholders.....	0	0	0
18. Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17).....	545,335	728,149	5,161,317
19. Federal and foreign income taxes incurred.....	151,731	146,433	1,319,614
20. Net income (Line 18 minus Line 19) (to Line 22).....	393,604	581,716	3,841,703
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year.....	24,228,749	22,738,904	22,738,904
22. Net income (from Line 20).....	393,604	581,716	3,841,703
23. Net transfers (to) from Protected Cell accounts.....	0	0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....23,100.....	42,839	87,993	(30,375)
25. Change in net unrealized foreign exchange capital gain (loss).....	0	0	0
26. Change in net deferred income tax.....	(5,273)	(114,724)	(369,587)
27. Change in nonadmitted assets.....	(11,347)	56,251	163,841
28. Change in provision for reinsurance.....	0	0	10
29. Change in surplus notes.....	0	0	0
30. Surplus (contributed to) withdrawn from protected cells.....	0	0	0
31. Cumulative effect of changes in accounting principles.....	0	0	0
32. Capital changes:			
32.1 Paid in.....	0	0	0
32.2 Transferred from surplus (Stock Dividend).....	0	0	0
32.3 Transferred to surplus.....	0	0	0
33. Surplus adjustments:			
33.1 Paid in.....	0	0	0
33.2 Transferred to capital (Stock Dividend).....	0	0	0
33.3 Transferred from capital.....	0	0	0
34. Net remittances from or (to) Home Office.....	0	0	0
35. Dividends to stockholders.....	0	0	(2,000,000)
36. Change in treasury stock.....	0	0	0
37. Aggregate write-ins for gains and losses in surplus.....	(224)	(8,482)	(115,748)
38. Change in surplus as regards policyholders (Lines 22 through 37).....	419,599	602,754	1,489,844
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38).....	24,648,347	23,341,658	24,228,749
DETAILS OF WRITE-INS			
0501. ....	0	0	0
0502. ....	0	0	0
0503. ....	0	0	0
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0	0
1401. ....	0	0	0
1402. ....	0	0	0
1403. ....	0	0	0
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	0	0	0
3701. Change in nonadmitted assets - additional admitted deferred taxes assets - SSAP 10R.....	(224)	(8,482)	(115,748)
3702. ....	0	0	0
3703. ....	0	0	0
3798. Summary of remaining write-ins for Line 37 from overflow page.....	0	0	0
3799. Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above).....	(224)	(8,482)	(115,748)

AMERICAN EMPIRE INSURANCE COMPANY  
CASH FLOW

	1 Current Year to Date	2 Prior Year To Date	3 Prior Year Ended December 31
CASH FROM OPERATIONS			
1. Premiums collected net of reinsurance.....	610,826	858,177	3,009,697
2. Net investment income.....	374,307	362,223	1,913,425
3. Miscellaneous income.....	0	0	0
4. Total (Lines 1 through 3).....	985,133	1,220,400	4,923,122
5. Benefit and loss related payments.....	169,380	1,079,813	2,563,186
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions.....	441,870	621,151	2,227,019
8. Dividends paid to policyholders.....	0	0	0
9. Federal and foreign income taxes paid (recovered) net of \$....(17,140) tax on capital gains (losses).....	244,000	(114,000)	879,370
10. Total (Lines 5 through 9).....	855,251	1,586,964	5,669,575
11. Net cash from operations (Line 4 minus Line 10).....	129,883	(366,565)	(746,453)
CASH FROM INVESTMENTS			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds.....	1,231,904	265,299	3,624,234
12.2 Stocks.....	1,000,000	0	0
12.3 Mortgage loans.....	0	0	0
12.4 Real estate.....	0	0	0
12.5 Other invested assets.....	0	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	0	0	0
12.7 Miscellaneous proceeds.....	0	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	2,231,904	265,299	3,624,234
13. Cost of investments acquired (long-term only):			
13.1 Bonds.....	0	0	1,677,587
13.2 Stocks.....	0	0	0
13.3 Mortgage loans.....	0	0	0
13.4 Real estate.....	0	0	0
13.5 Other invested assets.....	0	0	0
13.6 Miscellaneous applications.....	0	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6).....	0	0	1,677,587
14. Net increase (decrease) in contract loans and premium notes.....	0	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14).....	2,231,904	265,299	1,946,647
CASH FROM FINANCING AND MISCELLANEOUS SOURCES			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes.....	0	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0	0
16.3 Borrowed funds.....	0	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....	0	0	0
16.5 Dividends to stockholders.....	0	0	2,000,000
16.6 Other cash provided (applied).....	5,209	99,800	36,127
17. Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6).....	5,209	99,800	(1,963,873)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	2,366,996	(1,466)	(763,679)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year.....	79,773	843,452	843,452
19.2 End of period (Line 18 plus Line 19.1).....	2,446,768	841,986	79,773
Note: Supplemental disclosures of cash flow information for non-cash transactions:			
20.0001 .....	0	0	0

**NOTES TO FINANCIAL STATEMENTS**

**1.) Summary of Significant Accounting Policies**

A. Accounting Practices

The financial statements of American Empire Insurance Company ("the Company") are presented on the basis of accounting practices prescribed or permitted by the Ohio Department of Insurance.

The Ohio Department of Insurance recognizes only statutory accounting practices prescribed or permitted by the state of Ohio for determining and reporting the financial condition and results of operations of an insurance company, for purposes of determining its solvency under the Ohio Insurance Law. The National Association of Insurance Commissioners' ("NAIC") *Accounting Practices and Procedures Manual* has been adopted as a component of prescribed or permitted practices by the state of Ohio.

	2011	2010
(1) Net Income Ohio basis	\$393,604	\$3,841,703
(2) State Prescribed Practices	0	0
(3) State Permitted Practices	0	0
(4) Net Income, NAIC SAP	\$393,604	\$3,841,703
(5) Statutory Surplus Ohio basis	\$24,648,347	\$24,228,749
(6) State Prescribed Practices	0	0
(7) State Permitted Practices	0	0
(8) Statutory Surplus, NAIC SAP	\$24,648,347	\$24,228,749

**2.) Accounting Changes and Corrections of Errors**

No significant change.

**3.) Business Combinations and Goodwill**

No significant change.

**4.) Discontinued Operations**

No significant change.

**5.) Investments**

A. No significant change.

B. No significant change.

C. No significant change.

D. Loan-Backed Securities

- The Company uses dealer-modeled prepayment assumptions for mortgage-backed and asset-backed securities at the date of purchase to determine effective yields; significant changes in estimated cash flows from the original purchase assumptions are accounted for on a prospective basis.
- The Company had no loan-backed securities with a recognized other-than-temporary impairment due to either the intent to sell or inability or lack of intent to hold to recovery.
- The Company had no loan-backed securities with a credit-related other-than-temporary impairment recognized during 2011.
- The following table shows all loan-backed securities with an unrealized loss:

Less than 12 months		12 months or more	
Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
\$ 912,890	\$ (86,638)	\$ 1,420,317	\$ (110,142)

- Based on cash flow projections received from independent sources (which reflect loan to collateral values, subordination, vintage and geographic concentration), implied cash flows inherent in security ratings and analysis of historical payment data, management believes that the Company will recover its cost basis in all securities with unrealized losses at March 31, 2011. The Company has the intent to hold such securities until they recover in value or mature.

**6.) Joint Ventures, Partnerships and Limited Liability Companies**

No significant change.

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**NOTES TO FINANCIAL STATEMENTS**

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**7.) Investment Income**

No significant change.

**8.) Derivative Instruments**

No significant change.

**9.) Income Taxes**

No significant change.

**10.) Information Concerning Parent, Subsidiaries and Affiliates and Other Related Parties**

- A. No significant change.
- B. Detail of Transactions Greater than 1/2% of Admitted Assets  
The Company had no transactions with any affiliate exceeding ½ of 1% of its total admitted assets during 2011.
- C. No significant change.
- D. No significant change.
- E. No significant change.
- F. No significant change.
- G. No significant change.
- H. No significant change.
- I. No significant change.
- J. No significant change.

**11.) Debt**

No significant change.

**12.) Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

No significant change.

**13.) Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations**

No significant change.

**14.) Contingencies**

- A. No significant change.
- B. No significant change.
- C. No significant change.
- D. No significant change.

**15.) Leases**

No significant change.

**16.) Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk**

The Company does not have any financial instruments with off-balance sheet risk or financial instruments with concentrations of credit risk.

**NOTES TO FINANCIAL STATEMENTS**

**17.) Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

- A. Not applicable.
- B. Not applicable.
- C. The Company was not involved in any wash sale transactions during 2011.

**18.) Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans**

No significant change.

**19.) Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**

No significant change.

**20.) Fair Value**

1. Fair Value Measurements at Reporting Date

The Company has categorized its assets and liabilities measured at fair value into the three-level fair value hierarchy as reflected in the following table. See item 4 below for a discussion of each of these three levels.

Description	Level 1	Level 2	Level 3	Total
Assets:				
Bonds:				
U.S. Government and government agencies	\$ -	\$ -	\$ -	\$ -
States, municipalities and political subdivisions	-	-	-	-
Foreign government	-	-	-	-
Residential MBS	-	-	-	-
Commercial MBS	-	-	-	-
All other Bonds	-	-	-	-
Total Bonds	-	-	-	-
Non-affiliated common stock	348,713	-	-	348,713
Non-affiliated preferred stock	1,623,600	-	-	1,623,600
Other investments	-	-	-	-
Total assets accounted for at fair value	\$ 1,972,313	\$ -	\$ -	\$ 1,972,313

2. Fair Value Measurements in (Level 3) of the Fair Value Hierarchy

	Balance at 12/31/2010	Transfers into Level 3	Transfers out of Level 3 to Level 2	Transfers out of Level 3 to Cost Basis	Total gains (losses) included in Net Income	Total gains (losses) included in Surplus	Purchases, issuances, sales and settlements	Balance at 03/31/2011
States, municipalities and political subdivisions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
All other bonds	-	-	-	-	-	-	-	-
Non-affiliated common stock	-	-	-	-	-	-	-	-
Non-affiliated preferred stock	-	-	-	-	-	-	-	-
Total	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$(1,000,000)	\$ -

3. Fair Value Recognition of Transfers Between Levels

The Company recognizes and records the transfer of securities into and out of Level 3 due to changes in availability of market observable inputs. All transfers are reflected in the table above at fair value as of the end of the reporting period.

4. Inputs and Techniques Used in Estimating Fair Value

Level 1 - Quoted prices for identical assets or liabilities in active markets (markets in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis). The Company's Level 1 financial instruments consist primarily of publicly traded equity securities and highly liquid government bonds for which quoted market prices in active markets are available.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar assets or liabilities in inactive markets (markets in which there are few transactions, the prices are not current, price quotations vary substantially over time or among market makers, or in which little information is released publicly); and valuations based on other significant inputs that are observable in active markets. The Company's Level 2 financial instruments include corporate and municipal fixed maturity securities and MBS priced using observable inputs. Level 2 inputs include benchmark yields, reported trades, corroborated broker/dealer quotes, issuer spreads and benchmark securities. When non-binding broker quotes can be corroborated by comparison to similar securities priced using observable inputs, they are classified as Level 2.

Level 3 - Valuations derived from market valuation techniques generally consistent with those used to estimate the fair value of Level 2 financial instruments in which one or more significant inputs are unobservable. The unobservable inputs may include management's own assumptions about the assumptions market participants would use based on the best information available in the circumstances. The Company's Level 3 is comprised of financial instruments whose fair value is estimated based on non-binding broker quotes or internally developed using significant inputs not based on, or corroborated by, observable market information.



NOTES TO FINANCIAL STATEMENTS

The Company's investment managers, American Money Management Corporation (an affiliate) is responsible for the valuation process and uses data from outside sources (including nationally recognized pricing services and broker/dealers) in establishing fair value. Valuation techniques utilized by pricing services and prices obtained from external sources are reviewed by AMMC's internal investment professionals who are familiar with the securities being priced and the markets in which they trade to ensure the fair value determination is representative of an exit price. To validate the appropriateness of the prices obtained, these investment managers consider widely published indices (as benchmarks), recent trades, changes in interest rates, general economic conditions and the credit quality of the specific issuers.

21.) **Other Items**

- A. Not applicable.
- B. Not applicable.
- C. Not applicable

22.) **Events Subsequent**

There have not been any events subsequent to March 31, 2011, which may have a material effect on the financial condition of the Company.

23.) **Reinsurance**

No significant change.

24.) **Retrospectively Rated Contracts & Contracts Subject to Redetermination**

No significant change.

25.) **Change in Incurred Losses and Loss Adjustment Expenses**

The following table provides an analysis of the change in loss and loss adjustment expense reserves net of reinsurance recoverables for the past two years (in thousands):

	2011	2010
Balance at beginning of period	\$11,114	\$15,115
Loss and loss adjustment expense incurred:		
Current accident year	441	2,101
Prior accident years	(92)	(2,865)
	349	(764)
Loss and loss adjustment expense payments made for:		
Current accident year	(34)	(349)
Prior accident years	(471)	(2,888)
	(505)	(3,237)
Balance at end of period	\$10,958	\$11,114

26.) **Intercompany Pooling Arrangements**

No significant change.

27.) **Structured Settlements**

No significant change.

28.) **Health Care Receivables**

Not applicable.

29.) **Participating Policies**

Not applicable.

30.) **Premium Deficiency Reserves**

The Company does not have any premium deficiency reserves.

31.) **High Deductibles**

No significant change.

NOTES TO FINANCIAL STATEMENTS

32.) Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

No significant change.

33.) Asbestos/Environmental Reserves

No significant change.

34.) Subscriber Savings Accounts

No significant change.

35.) Multiple Peril Crop Insurance

No significant change.

36.) Financial Guaranty Insurance

No significant change.

AMERICAN EMPIRE INSURANCE COMPANY  
GENERAL INTERROGATORIES  
PART 1 - COMMON INTERROGATORIES  
GENERAL

1.1

Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes [ ☐ ]

No [ ☒ X ]

1.2

If yes, has the report been filed with the domiciliary state?

Yes [ ☐ ]

No [ ☐ ]

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [ ☐ ]

No [ ☒ X ]

2.2

If yes, date of change:

.....

3.

Have there been any substantial changes in the organizational chart since the prior quarter end?  
If yes, complete the Schedule Y-Part 1 - Organizational chart.

Yes [ ☐ ]

No [ ☒ X ]

4.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [ ☐ ]

No [ ☒ X ]

4.2

If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile
Not Applicable		

5.

If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?  
If yes, attach an explanation.  
Not Applicable

Yes [ ☐ ]

No [ ☒ X ]

N/A [ ☐ ]

6.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

.....12/31/2006.....

6.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

.....12/31/2006.....

6.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

.....02/19/2008.....

6.4

By what department or departments?  
Ohio

6.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?

Yes [ ☐ ]

No [ ☐ ]

N/A [ ☒ X ]

6.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes [ ☐ ]

No [ ☐ ]

N/A [ ☒ X ]

7.1

Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes [ ☐ ]

No [ ☒ X ]

7.2

If yes, give full information:  
Not Applicable

8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [ ☐ ]

No [ ☒ X ]

8.2

If response to 8.1 is yes, please identify the name of the bank holding company.  
Not Applicable

8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [ ☐ ]

No [ ☒ X ]

8.4

If the response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator].

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC
Not Applicable						

9.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?  
(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;  
(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;  
(c) Compliance with applicable governmental laws, rules and regulations;  
(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and  
(e) Accountability for adherence to the code.

Yes [ ☒ X ]

No [ ☐ ]

9.11

If the response to 9.1 is No, please explain:  
Not Applicable

9.2

Has the code of ethics for senior managers been amended?

Yes [ ☐ ]

No [ ☒ X ]

9.21

If the response to 9.2 is Yes, provide information related to amendment(s).  
Not Applicable

9.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes [ ☐ ]

No [ ☒ X ]

AMERICAN EMPIRE INSURANCE COMPANY  
GENERAL INTERROGATORIES  
PART 1 - COMMON INTERROGATORIES  
GENERAL

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).  
Not Applicable

FINANCIAL

10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]  
10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$.....0

INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes [ ] No [X]  
11.2 If yes, give full and complete information relating thereto:  
Not Applicable

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$.....0  
13. Amount of real estate and mortgages held in short-term investments: \$.....0  
14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes [ ] No [X]  
14.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
14.21 Bonds.....	\$ .....0	\$ .....0
14.22 Preferred Stock.....	\$ .....0	\$ .....0
14.23 Common Stock.....	\$ .....0	\$ .....0
14.24 Short-Term Investments.....	\$ .....0	\$ .....0
14.25 Mortgage Loans on Real Estate.....	\$ .....0	\$ .....0
14.26 All Other.....	\$ .....0	\$ .....0
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26).....	\$ .....0	\$ .....0
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above.....	\$ .....0	\$ .....0

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes [ ] No [X]  
15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?  
If no, attach a description with this statement.  
Not Applicable

16. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III. Conducting Examinations, F-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
The Bank of New York Mellon	One Wall Street, New York, New York 10286

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation.

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
Not Applicable		

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? Yes [ ] No [X]

16.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
Not Applicable			

16.5 Identify all investment advisors, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address
Not Applicable	American Money Management Corporation	One East Fourth Street, Cincinnati, Ohio 45202

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No [ ]  
17.2 If no, list exceptions:  
Not Applicable

AMERICAN EMPIRE INSURANCE COMPANY  
GENERAL INTERROGATORIES (continued)

PART 2  
PROPERTY & CASUALTY INTERROGATORIES

1.

If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change?  
If yes, attach an explanation.  
Not Applicable

Yes [ ] No [X] N/A [ ]

2.

Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured?  
If yes, attach an explanation.  
Not Applicable

Yes [ ] No [X]

3.1

Have any of the reporting entity's primary reinsurance contracts been canceled?

Yes [ ] No [X]

3.2

If yes, give full and complete information thereto:  
Not Applicable

4.1

Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation liabilities tabular reserves (see Annual Statement Instructions pertaining to disclosure of discounting for definition of "tabular reserves,") discounted at a rate of interest greater than zero?

Yes [ ] No [X]

4.2

If yes, complete the following schedule:

1	2	3	Total Discount				Discount Taken During Period			
Line of Business	Maximum Interest	Disc. Rate	4 Unpaid Losses	5 Unpaid LAE	6 IBNR	7 Total	8 Unpaid Losses	9 Unpaid LAE	10 IBNR	11 Total
	.....0.0	.....0.000 %	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0
Total.....	.....XXX...	.....XXX.....	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0

5.

Operating Percentages:

5.1

A&H loss percent

0.0 %

5.2

A&H cost containment percent

0.0 %

5.3

A&H expense percent excluding cost containment expenses

0.0 %

6.1

Do you act as a custodian for health savings accounts?

Yes [ ] No [X]

6.2

If yes, please provide the amount of custodial funds held as of the reporting date.

0

6.3

Do you act as an administrator for health savings accounts?

Yes [ ] No [X]

6.4

If yes, please provide the amount of funds administered as of the reporting date.

0

AMERICAN EMPIRE INSURANCE COMPANY  
SCHEDULE F - CEDED REINSURANCE

Showing All New Reinsurers - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3  Name of Reinsurer	4  Domiciliary Jurisdiction	5 Is Insurer Authorized? (YES or NO)
------------------------------	------------------------------	----------------------------	-----------------------------------	---

NONE

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

States, Etc.	1 Active Status	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2 Current Year to Date	3 Prior Year to Date	4 Current Year to Date	5 Prior Year to Date	6 Current Year to Date	7 Prior Year to Date
1. Alabama.....AL	L	0	0	0	0	0	0
2. Alaska.....AK	L	0	0	0	0	1,447	1,530
3. Arizona.....AZ	L	0	0	0	0	25	25
4. Arkansas.....AR	L	0	0	0	0	10	10
5. California.....CA	L	0	0	0	0	235	252
6. Colorado.....CO	L	0	0	0	0	55	66
7. Connecticut.....CT	L	0	0	0	0	0	0
8. Delaware.....DE	L	0	0	0	0	0	0
9. District of Columbia.....DC	L	0	0	0	0	0	0
10. Florida.....FL	L	0	0	0	0	0	0
11. Georgia.....GA	L	0	0	0	0	0	0
12. Hawaii.....HI	L	0	0	0	0	0	0
13. Idaho.....ID	L	0	0	0	0	20	20
14. Illinois.....IL	L	0	0	0	0	0	0
15. Indiana.....IN	L	0	0	0	0	25	25
16. Iowa.....IA	L	0	0	0	0	5	10
17. Kansas.....KS	L	0	0	0	0	10	10
18. Kentucky.....KY	L	0	0	0	0	0	0
19. Louisiana.....LA	L	0	0	0	0	0	0
20. Maine.....ME	N	0	0	0	0	0	0
21. Maryland.....MD	L	0	0	0	0	0	0
22. Massachusetts.....MA	N	0	0	0	0	0	0
23. Michigan.....MI	L	0	0	0	0	50	50
24. Minnesota.....MN	L	0	0	0	0	30	30
25. Mississippi.....MS	L	0	0	0	0	0	0
26. Missouri.....MO	L	0	0	0	0	25	25
27. Montana.....MT	L	0	0	0	0	10	15
28. Nebraska.....NE	L	0	0	0	0	5	5
29. Nevada.....NV	L	0	0	0	0	20	20
30. New Hampshire.....NH	N	0	0	0	0	0	0
31. New Jersey.....NJ	L	0	0	0	0	0	0
32. New Mexico.....NM	L	0	0	0	0	0	0
33. New York.....NY	L	0	0	0	0	1	87
34. North Carolina.....NC	L	0	0	0	0	0	0
35. North Dakota.....ND	L	0	0	0	0	0	0
36. Ohio.....OH	L	0	0	0	0	30	30
37. Oklahoma.....OK	L	0	0	0	0	15	15
38. Oregon.....OR	L	0	0	0	0	67	74
39. Pennsylvania.....PA	Q	0	0	0	0	0	0
40. Rhode Island.....RI	L	0	0	0	0	0	0
41. South Carolina.....SC	L	0	0	0	0	0	0
42. South Dakota.....SD	L	0	0	0	0	0	0
43. Tennessee.....TN	L	0	0	0	0	5	5
44. Texas.....TX	L	0	0	0	0	50	50
45. Utah.....UT	L	0	0	0	0	30	30
46. Vermont.....VT	N	0	0	0	0	0	0
47. Virginia.....VA	L	0	0	0	0	0	0
48. Washington.....WA	L	0	0	0	0	116	116
49. West Virginia.....WV	L	0	0	0	0	0	0
50. Wisconsin.....WI	L	0	0	0	0	10	10
51. Wyoming.....WY	L	0	0	0	0	0	0
52. American Samoa.....AS	N	0	0	0	0	0	0
53. Guam.....GU	N	0	0	0	0	0	0
54. Puerto Rico.....PR	N	0	0	0	0	0	0
55. US Virgin Islands.....VI	N	0	0	0	0	0	0
56. Northern Mariana Islands.....MP	N	0	0	0	0	0	0
57. Canada.....CN	N	0	0	0	0	0	0
58. Aggregate Other Alien.....OT	XXX	0	0	0	0	0	0
59. Totals.....	(a).....46	0	0	0	0	2,296	2,510

DETAILS OF WRITE-INS							
5801. ....	XXX	0	0	0	0	0	0
5802. ....	XXX	0	0	0	0	0	0
5803. ....	XXX	0	0	0	0	0	0
5898. Summary of remaining write-ins for Line 58 from overflow page....	XXX	0	0	0	0	0	0
5899. Totals (Lines 5801 thru 5803 + Line 5898) (Line 58 above).....	XXX	0	0	0	0	0	0

(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer;  
(E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.  
(a) Insert the number of L responses except for Canada and Other Alien.

**Sch. Y-Pt 1**  
**NONE**

**Pt 1**  
**NONE**

**Pt 2**  
**NONE**

**Q11, Q12**



**PART 3 (000 omitted)**

**LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE**

	1	2	3	4	5	6	7	8	9	10	11	12	13									
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2011 Loss and LAE Payments on Claims Reported as of Prior Year-End	2011 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2011 Loss and LAE Payments (Cols. 4 + 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year-End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	Q.S. Date IBNR Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols. 7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 4 + 7 minus Col. 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	Prior Year-End Total Loss and LAE Reserve Developed (Savings)/Deficiency (Cols. 11 + 12)									
1. 2008 + Prior.....	.....1,913	.....5,766	.....7,679	.....204	.....4	.....209	.....1,779	.....103	.....5,623	.....7,505	.....70	.....(35)	.....35									
2. 2009.....	.....422	.....1,262	.....1,683	.....80	.....2	.....82	.....365	.....44	.....1,149	.....1,558	.....23	.....(67)	.....(44)									
3. Subtotals 2009 + Prior.....	.....2,334	.....7,028	.....9,362	.....284	.....6	.....290	.....2,143	.....148	.....6,772	.....9,063	.....94	.....(102)	.....(8)									
4. 2010.....	.....385	.....1,367	.....1,752	.....104	.....76	.....180	.....306	.....118	.....1,065	.....1,488	.....25	.....(109)	.....(84)									
5. Subtotals 2010 + Prior.....	.....2,719	.....8,395	.....11,114	.....389	.....82	.....470	.....2,449	.....265	.....7,837	.....10,551	.....119	.....(211)	.....(92)									
6. 2011.....	.....XXX	.....XXX	.....XXX	.....XXX	.....34	.....34	.....XXX	.....75	.....331	.....406	.....XXX	.....XXX	.....XXX									
7. Totals.....	.....2,719	.....8,395	.....11,114	.....389	.....116	.....505	.....2,449	.....341	.....8,168	.....10,958	.....119	.....(211)	.....(92)									
8. Prior Year-End's Surplus As Regards Policyholders	.....24,229										Col. 11, Line 7 As % of Col. 1, Line 7	Col. 12, Line 7 As % of Col. 2, Line 7	Col. 13, Line 7 As % of Col. 3, Line 7									
																				1. ....4.4 %	2. ....(2.5)%	3. ....(0.8)%
													Col. 13, Line 7 Line 8									
													4. ....(0.4)%									

Q13

AMERICAN EMPIRE INSURANCE COMPANY

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason, enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

	Response
1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?	<div>NO</div>
2. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?	<div>NO</div>
3. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	<div>NO</div>
4. Will the Director and Officer Supplement be filed with the state of domicile and the NAIC with this statement?	<div>YES</div>

Explanation:

1.
2.
3.
4.

Bar Code:



NONE

AMERICAN EMPIRE INSURANCE COMPANY  
SCHEDULE A - VERIFICATION

Real Estate

	1	2
	Year to Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition.....	0	0
2.2 Additional investment made after acquisition.....	0	0
3. Current year change in encumbrances.....	0	0
4. Total gain (loss) on disposals.....	0	0
5. Deduct amounts received on disposals.....	0	0
6. Total foreign exchange change in book/adjusted carrying value.....	0	0
7. Deduct current year's other than temporary impairment recognized.....	0	0
8. Deduct current year's depreciation.....	0	0
9. Book/adjusted carrying value at end of current period (Lines 1+2+3+4-5+6-7-8).....	0	0
10. Deduct total nonadmitted amounts.....	0	0
11. Statement value at end of current period (Line 9 minus Line 10).....	0	0

SCHEDULE B - VERIFICATION

Mortgage Loans

	1	2
	Year to Date	Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year.....	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition.....	0	0
2.2 Additional investment made after acquisition.....	0	0
3. Capitalized deferred interest and other.....	0	0
4. Accrual of discount.....	0	0
5. Unrealized valuation increase (decrease).....	0	0
6. Total gain (loss) on disposals.....	0	0
7. Deduct amounts received on disposals.....	0	0
8. Deduct amortization of premium and mortgage interest points and commitment fees.....	0	0
9. Total foreign exchange change in book value/recorded investment excluding accrued interest.....	0	0
10. Deduct current year's other than temporary impairment recognized.....	0	0
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10).....	0	0
12. Total valuation allowance.....	0	0
13. Subtotal (Line 11 plus Line 12).....	0	0
14. Deduct total nonadmitted amounts.....	0	0
15. Statement value at end of current period (Line 13 minus Line 14).....	0	0

SCHEDULE BA - VERIFICATION

Other Long-Term Invested Assets

	1	2
	Year to Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition.....	0	0
2.2 Additional investment made after acquisition.....	0	0
3. Capitalized deferred interest and other.....	0	0
4. Accrual of discount.....	0	0
5. Unrealized valuation increase (decrease).....	0	0
6. Total gain (loss) on disposals.....	0	0
7. Deduct amounts received on disposals.....	0	0
8. Deduct amortization of premium and depreciation.....	0	0
9. Total foreign exchange change in book/adjusted carrying value.....	0	0
10. Deduct current year's other than temporary impairment recognized.....	0	0
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10).....	0	0
12. Deduct total nonadmitted amounts.....	0	0
13. Statement value at end of current period (Line 11 minus Line 12).....	0	0

SCHEDULE D - VERIFICATION

Bonds and Stocks

	1	2
	Year to Date	Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year.....	36,141,715	38,248,942
2. Cost of bonds and stocks acquired.....	0	1,677,587
3. Accrual of discount.....	13,935	64,074
4. Unrealized valuation increase (decrease).....	65,939	(46,475)
5. Total gain (loss) on disposals.....	27,582	52,703
6. Deduct consideration for bonds and stocks disposed of.....	2,231,904	3,624,234
7. Deduct amortization of premium.....	53,439	228,799
8. Total foreign exchange change in book/adjusted carrying value.....	0	0
9. Deduct current year's other than temporary impairment recognized.....	0	2,085
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	33,963,828	36,141,715
11. Deduct total nonadmitted amounts.....	0	0
12. Statement value at end of current period (Line 10 minus Line 11).....	33,963,828	36,141,715

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity  
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a).....	26,299,440	2,684,385	1,539,281	(38,267)	27,406,277	0	0	26,299,440
2. Class 2 (a).....	5,758,473	0	0	(1,278)	5,757,195	0	0	5,758,473
3. Class 3 (a).....	721,772	0	0	4,136	725,908	0	0	721,772
4. Class 4 (a).....	497,518	0	0	103	497,621	0	0	497,518
5. Class 5 (a).....	0	0	0	0	0	0	0	0
6. Class 6 (a).....	0	0	0	0	0	0	0	0
7. Total Bonds.....	33,277,203	2,684,385	1,539,281	(35,306)	34,387,001	0	0	33,277,203
PREFERRED STOCK								
8. Class 1.....	1,079,600	0	0	28,000	1,107,600	0	0	1,079,600
9. Class 2.....	1,000,000	0	1,000,000	0	0	0	0	1,000,000
10. Class 3.....	482,000	0	0	34,000	516,000	0	0	482,000
11. Class 4.....	0	0	0	0	0	0	0	0
12. Class 5.....	0	0	0	0	0	0	0	0
13. Class 6.....	0	0	0	0	0	0	0	0
14. Total Preferred Stock.....	2,561,600	0	1,000,000	62,000	1,623,600	0	0	2,561,600
15. Total Bonds and Preferred Stock.....	35,838,803	2,684,385	2,539,281	26,694	36,010,602	0	0	35,838,803

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation:  
NAIC 1 \$.....2,395,487; NAIC 2 \$.....0; NAIC 3 \$.....0; NAIC 4 \$.....0; NAIC 5 \$.....0; NAIC 6 \$.....0.

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AMERICAN EMPIRE INSURANCE COMPANY  
SCHEDULE DA - PART 1

Short-Term Investments

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
9199999. Totals.....	.....2,395,487	.....XXX.....	.....2,395,487	.....52	.....0

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	.....46,062	.....801,757
2. Cost of short-term investments acquired.....	.....2,684,385	.....7,590,040
3. Accrual of discount.....	.....0	.....0
4. Unrealized valuation increase (decrease).....	.....0	.....0
5. Total gain (loss) on disposals.....	.....0	.....0
6. Deduct consideration received on disposals.....	.....334,960	.....8,345,735
7. Deduct amortization of premium.....	.....0	.....0
8. Total foreign exchange change in book/adjusted carrying value.....	.....0	.....0
9. Deduct current year's other than temporary impairment recognized.....	.....0	.....0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	.....2,395,487	.....46,062
11. Deduct total nonadmitted amounts.....	.....0	.....0
12. Statement value at end of current period (Line 10 minus Line 11).....	.....2,395,487	.....46,062

**Sch. DB-Pt A-Verification**  
**NONE**

**Sch. DB-Pt B-Verification**  
**NONE**

**Sch. DB-Pt C-Sn 1**  
**NONE**

**Sch. DB-Pt C-Sn 2**  
**NONE**

**Sch. DB-Verification**  
**NONE**

**Sch. E-Verification**  
**NONE**

**Sch. A-Pt 2**  
**NONE**

**Sch. A-Pt 3**  
**NONE**

**Sch. B-Pt 2**  
**NONE**

**Sch. B-Pt 3**  
**NONE**

**Sch. BA-Pt 2**  
**NONE**

**Sch. BA-Pt 3**  
**NONE**

**Sch. D-Pt 3**  
**NONE**

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

1	2			3 F o r e i g n	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
												11	12	13	14	15							
CUSIP Identification	Description			Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value At Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Maturity Date	NAIC Design- ation or Market Indicator (a)	
Bonds - U.S. Special Revenue and Special Assessment																							
31392E	3S	7	FNR 2002-71 PD PAC 5.50 10-25-31.....	.....	03/25/2011	PAYDOWNS.....	.....	.....103,088	.....103,088	.....103,797	.....103,314	.....0	.....(226)	.....0	.....(226)	.....0	.....103,088	.....0	.....0	.....0	.....983	10/25/2031	1.....
63968A	BA	2	NE PUB PWR SER B 5.00 01-01-11 NC.....	.....	01/01/2011	REDEEMED.....	.....	.....500,000	.....500,000	.....551,290	.....500,000	.....0	.....0	.....0	.....0	.....0	.....500,000	.....0	.....0	.....0	.....12,500	01/01/2011	1FE.....
3199999.		Total - Bonds - U.S. Special Revenue & Assessment.....					.....	.....603,088	.....603,088	.....655,087	.....603,314	.....0	.....(226)	.....0	.....(226)	.....0	.....603,088	.....0	.....0	.....0	.....13,483	.....XXX...	..XXX...
Bonds - Industrial and Miscellaneous																							
12669G	XN	6	CWHL 2005-12 1A5 SEQ 5.25 5-25-35.....	.....	03/25/2011	PAYDOWNS.....	.....	.....25,251	.....25,251	.....25,248	.....25,087	.....0	.....164	.....0	.....164	.....0	.....25,251	.....0	.....0	.....0	.....230	05/25/2035	1Z*.....
16165L	AC	4	CFLX 2006-1 A2A SEQ SSNR 5.935 62536.....	.....	03/25/2011	PAYDOWNS.....	.....	.....56,744	.....56,744	.....56,739	.....56,744	.....0	.....0	.....0	.....0	.....0	.....56,744	.....0	.....0	.....0	.....564	06/25/2036	1Z*.....
17307G	VN	5	CMLT1 2005-WF2 AF7 SEQ STP 8-25-35.....	.....	03/25/2011	PAYDOWNS.....	.....	.....19,009	.....19,009	.....19,009	.....18,610	.....0	.....399	.....0	.....399	.....0	.....19,009	.....0	.....0	.....0	.....160	08/25/2035	1Z*.....
66704J	BP	2	NEF 2006-A A2 SEQ ABS FLT 11-28-23.....	.....	02/28/2011	PAYDOWN.....	.....	.....96,882	.....96,882	.....81,381	.....91,136	.....0	.....5,746	.....0	.....5,746	.....0	.....96,882	.....0	.....0	.....0	.....117	11/28/2023	1Z*.....
771196	AQ	5	ROCHE HLDGS INC 5.00 03-01-14 NC.....	.....	03/24/2011	PARTIAL CALL.....	.....	.....430,930	.....392,000	.....409,769	.....404,183	.....0	.....(836)	.....0	.....(836)	.....0	.....403,347	.....0	.....27,582	.....27,582	.....11,052	03/01/2014	1FE.....
3899999.		Total - Bonds - Industrial & Miscellaneous.....					.....	.....628,816	.....589,886	.....592,146	.....595,760	.....0	.....5,473	.....0	.....5,473	.....0	.....601,233	.....0	.....27,582	.....27,582	.....12,123	.....XXX...	..XXX...
8399997.		Total - Bonds - Part 4.....					.....	.....1,231,904	.....1,192,974	.....1,247,233	.....1,199,074	.....0	.....5,247	.....0	.....5,247	.....0	.....1,204,321	.....0	.....27,582	.....27,582	.....25,606	.....XXX...	..XXX...
8399999.		Total - Bonds.....					.....	.....1,231,904	.....1,192,974	.....1,247,233	.....1,199,074	.....0	.....5,247	.....0	.....5,247	.....0	.....1,204,321	.....0	.....27,582	.....27,582	.....25,606	.....XXX...	..XXX...
Preferred Stocks - Industrial and Miscellaneous																							
927804	57	5	VIRGINIA ELECTRIC & POWER V/R C11.....	.....	03/18/2011	BARCLAYS AMERICA.....	.....1,000,000	.....1,000,000	.....0.00	.....1,055,980	.....1,000,000	.....0	.....0	.....0	.....0	.....0	.....1,000,000	.....0	.....0	.....0	.....15,625	.....XXX...	P2LFE..
8499999.		Total - Preferred Stocks - Industrial & Miscellaneous.....					.....	.....1,000,000	.....XXX.....	.....1,055,980	.....1,000,000	.....0	.....0	.....0	.....0	.....0	.....1,000,000	.....0	.....0	.....0	.....15,625	.....XXX...	..XXX...
8999997.		Total - Preferred Stocks - Part 4.....					.....	.....1,000,000	.....XXX.....	.....1,055,980	.....1,000,000	.....0	.....0	.....0	.....0	.....0	.....1,000,000	.....0	.....0	.....0	.....15,625	.....XXX...	..XXX...
8999999.		Total - Preferred Stocks.....					.....	.....1,000,000	.....XXX.....	.....1,055,980	.....1,000,000	.....0	.....0	.....0	.....0	.....0	.....1,000,000	.....0	.....0	.....0	.....15,625	.....XXX...	..XXX...
9899999.		Total - Preferred and Common Stocks.....					.....	.....1,000,000	.....XXX.....	.....1,055,980	.....1,000,000	.....0	.....0	.....0	.....0	.....0	.....1,000,000	.....0	.....0	.....0	.....15,625	.....XXX...	..XXX...
9999999.		Total - Bonds, Preferred and Common Stocks.....					.....	.....2,231,904	.....XXX.....	.....2,303,213	.....2,199,074	.....0	.....5,247	.....0	.....5,247	.....0	.....2,204,321	.....0	.....27,582	.....27,582	.....41,231	.....XXX...	..XXX....

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues:.....0.

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**Sch. DB-Pt A-Sn 1**  
**NONE**

**Sch. DB-Pt A-Sn 1-Footernote**  
**NONE**

**Sch. DB-Pt B-Sn 1**  
**NONE**

**Sch. DB-Pt B-Sn 1-Footernote**  
**NONE**

**Sch. DB-Pt B-Sn 1B-Broker List**  
**NONE**

**Sch. DB-Pt D**  
**NONE**

**Sch. DL-Pt. 1**  
**NONE**

**Sch. DL-Pt. 2**  
**NONE**

AMERICAN EMPIRE INSURANCE COMPANY  
SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1  Depository	2  Code	3  Rate of Interest	4  Amount of Interest Received During Current Quarter	5  Amount of Interest Accrued at Current Statement Date	Book Balance at End of Each Month During Current Quarter			9  *
					6  First Month	7  Second Month	8  Third Month	

Open Depositories

The Bank of New York Mellon.....	New York, New York.....	.....	.....0.010	.....0	.....0	.....503	.....109,331	.....554	XXX..
PNC Bank.....	Pittsburgh, Pennsylvania.....	.....	.....0.000	.....0	.....0	.....17,541	.....99,729	.....50,729	XXX..
0199999. Total Open Depositories.....		...XXX.....	...XXX.....	.....0	.....0	.....18,044	.....209,060	.....51,282	XXX..
0399999. Total Cash on Deposit.....		...XXX.....	...XXX.....	.....0	.....0	.....18,044	.....209,060	.....51,282	XXX..
0599999. Total Cash.....		...XXX.....	...XXX.....	.....0	.....0	.....18,044	.....209,060	.....51,282	XXX..

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1	2	3	4	5	6	7	8
Description	Code	Date Acquired	Rate of Interest	Maturity Date	Book/Adjusted Carrying Value	Amount of Interest Due & Accrued	Amount Received During Year

NONE



DIRECTOR AND OFFICER SUPPLEMENT

Year To Date For the Period Ended March 31, 2011

NAIC Group Code.....0084

NAIC Company Code.....37990

Company Name: AMERICAN EMPIRE INSURANCE COMPANY

If the reporting entity writes any director and officer (D&O) business, please provide the following:

1. Monoline Policies

1 Direct Written Premiums	2 Direct Earned Premiums	3 Direct Losses Incurred
.....0	.....0	.....0

2. Commercial Multiple Peril (CMP) Packaged Policies

- 2.1 Does the reporting entity provide D&O liability coverage as part of a CMP packaged policy?

Yes [ ] No [X]
- 2.2 Can the direct premium earned for D&O liability coverage provided as part of a CMP packaged policy be quantified or estimated?

Yes [ ] No [X]
- 2.3 If the answer to question 2.2 is yes, provide the quantified or estimated direct premium earned amount for D&O liability coverage in CMP packaged policies:

2.31 Amount quantified: \$.....0

2.32 Amount estimated using reasonable assumptions: \$.....0
- 2.4 If the answer to question 2.1 is yes, provide direct losses incurred (losses paid plus change in case reserves) for the D&O liability coverages provided in CMP packaged policies:

\$.....0