



QUARTERLY STATEMENT

As of June 30, 2011

of the Condition and Affairs of the

AMERICAN EMPIRE INSURANCE COMPANY

NAIC Group Code.....0084, 0084	NAIC Company Code..... 37990	Employer's ID Number..... 31-0973761
(Current Period) (Prior Period)		
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	301 EAST FOURTH STREET..... CINCINNATI, OH 45202	
	(Street and Number) (City or Town, State and Zip Code)	
Main Administrative Office	301 EAST FOURTH STREET..... CINCINNATI, OH 45202	513-369-3000
	(Street and Number) (City or Town, State and Zip Code)	(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	301 EAST FOURTH STREET..... CINCINNATI, OH 45202	513-369-3000
	(Street and Number) (City or Town, State and Zip Code)	(Area Code) (Telephone Number)
Internet Web Site Address	www.aeslic.com	
Statutory Statement Contact	THOMAS MATTHEW HELD	513-369-3040
	(Name)	(Area Code) (Telephone Number) (Extension)
	mheld@gaic.com	513-412-7800
	(E-Mail Address)	(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	HOWARD KIM BAIRD #	Assistant Treasurer
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 5th day of August	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 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds.....	33,308,172	0	33,308,172	33,231,141
2. Stocks:				
2.1 Preferred stocks.....	1,627,100	0	1,627,100	2,561,600
2.2 Common stocks.....	286,714	0	286,714	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 (\$.....28,696), cash equivalents (\$.....0) and short-term investments (\$.....2,689,767).....	2,718,463	0	2,718,463	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).....	37,940,449	0	37,940,449	36,221,489
13. Title plants less \$.....0 charged off (for Title insurers only).....	0	0	0	0
14. Investment income due and accrued.....	401,211	0	401,211	403,782
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	285,688	0	285,688	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.....	23,557	0	23,557	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.....	1,122,373	210,478	911,895	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.....	28,154	0	28,154	18,564
24. Health care (\$.....0) and other amounts receivable.....	0	0	0	0
25. Aggregate write-ins for other than invested assets.....	1,323	0	1,323	4,809
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	39,802,756	210,478	39,592,278	38,005,944
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0	0
28. Total (Lines 26 and 27).....	39,802,756	210,478	39,592,278	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.....	1,323	0	1,323	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).....	1,323	0	1,323	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 \$ 716,698).....	7,589,892	8,257,290
2. Reinsurance payable on paid losses and loss adjustment expenses.....	215,763	197,394
3. Loss adjustment expenses.....	2,628,183	2,856,841
4. Commissions payable, contingent commissions and other similar charges.....	298,845	309,821
5. Other expenses (excluding taxes, licenses and fees).....	319,945	363,473
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	24,596	32,359
7.1 Current federal and foreign income taxes (including \$(10,803) on realized capital gains (losses)).....	289,138	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).....	1,518,392	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).....	(300)	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.....	79,087	79,009
20. Derivatives.....	0	0
21. Payable for securities.....	1,067,847	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.....	35,457	55,183
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....	14,067,934	13,777,195
27. Protected cell liabilities.....	0	0
28. Total liabilities (Lines 26 and 27).....	14,067,934	13,777,195
29. Aggregate write-ins for special surplus funds.....	284,124	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).....	6,040,220	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).....	25,524,344	24,228,749
38. Totals.....	39,592,278	38,005,944

DETAILS OF WRITE-INS		
2501. Retrospective premium payable.....	35,457	55,183
2502.	0	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).....	35,457	55,183
2901. Additional admitted deferred taxes assets - SSAP 10R.....	284,124	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).....	284,124	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 \$.....1,944,433).....	1,826,178	1,789,428	3,496,218
1.3 Ceded..... (written \$.....(1,839)).....	(1,839)	0	71,448
1.4 Net..... (written \$.....1,946,272).....	1,828,017	1,789,428	3,424,770
DEDUCTIONS:			
2. Losses incurred (current accident year \$.....804,323):			
2.1 Direct.....	(5)	131	(92)
2.2 Assumed.....	(954,709)	(258,766)	(1,852,156)
2.3 Ceded.....	(992,223)	(493,281)	(832,627)
2.4 Net.....	37,510	234,646	(1,019,621)
3. Loss adjustment expenses incurred.....	239,952	456,234	256,060
4. Other underwriting expenses incurred.....	467,024	540,436	919,416
5. Aggregate write-ins for underwriting deductions.....	0	0	0
6. Total underwriting deductions (Lines 2 through 5).....	744,486	1,231,315	155,855
7. Net income of protected cells.....	0	0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7).....	1,083,531	558,113	3,268,915
INVESTMENT INCOME			
9. Net investment income earned.....	815,901	888,740	1,759,438
10. Net realized capital gains (losses) less capital gains tax of \$.....(20,529).....	8,606	85,544	132,965
11. Net investment gain (loss) (Lines 9 + 10).....	824,507	974,284	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).....	1,908,038	1,532,397	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).....	1,908,038	1,532,397	5,161,317
19. Federal and foreign income taxes incurred.....	569,343	340,746	1,319,614
20. Net income (Line 18 minus Line 19) (to Line 22).....	1,338,695	1,191,651	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).....	1,338,695	1,191,651	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 \$.....2,800.....	4,640	(30,399)	(30,375)
25. Change in net unrealized foreign exchange capital gain (loss).....	0	0	0
26. Change in net deferred income tax.....	(31,205)	(171,404)	(369,587)
27. Change in nonadmitted assets.....	(1,788)	33,269	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.....	(14,747)	(23,479)	(115,748)
38. Change in surplus as regards policyholders (Lines 22 through 37).....	1,295,595	999,638	1,489,844
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38).....	25,524,344	23,738,543	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.....	(14,747)	(23,479)	(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).....	(14,747)	(23,479)	(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.....	1,847,460	1,528,319	3,009,697
2. Net investment income.....	898,719	961,700	1,913,425
3. Miscellaneous income.....	0	0	0
4. Total (Lines 1 through 3).....	2,746,179	2,490,020	4,923,122
5. Benefit and loss related payments.....	482,682	1,714,031	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.....	997,902	1,175,898	2,227,019
8. Dividends paid to policyholders.....	0	0	0
9. Federal and foreign income taxes paid (recovered) net of \$.....(26,866) tax on capital gains (losses).....	504,000	184,000	879,370
10. Total (Lines 5 through 9).....	1,984,584	3,073,928	5,669,575
11. Net cash from operations (Line 4 minus Line 10).....	761,596	(583,909)	(746,453)
CASH FROM INVESTMENTS			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds.....	1,669,734	1,693,132	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.....	1,067,847	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	3,737,581	1,693,132	3,624,234
13. Cost of investments acquired (long-term only):			
13.1 Bonds.....	1,834,725	678,087	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).....	1,834,725	678,087	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).....	1,902,856	1,015,045	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).....	(25,762)	183,679	36,127
17. Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6).....	(25,762)	183,679	(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).....	2,638,690	614,815	(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).....	2,718,463	1,458,267	79,773

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001	0	0	0
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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	\$1,338,695	\$3,841,703
(2) State Prescribed Practices	0	0
(3) State Permitted Practices	0	0
(4) Net Income, NAIC SAP	\$1,338,695	\$3,841,703
(5) Statutory Surplus Ohio basis	\$25,524,344	\$24,228,749
(6) State Prescribed Practices	0	0
(7) State Permitted Practices	0	0
(8) Statutory Surplus, NAIC SAP	\$25,524,344	\$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 lack of intent to hold to recovery during 2011.
- The following table shows each security with a credit-related OTTI charge recognized during the period:

<u>CUSIP</u>	<u>Amortized Cost Before OTTI</u>	<u>Present Value Of Projected Cash Flows</u>	<u>OTTI Charge Recognized in Income Statement</u>	<u>Amortized Cost After OTTI</u>	<u>Fair Value</u>	<u>Date Reported</u>
12669GXN6	261,789	255,477	6,312	255,477	254,764	6/30/11
17307GVN5	814,689	783,150	31,539	783,150	716,238	6/30/11

- The following table shows all loan-backed securities with an unrealized loss:

Less than 12 months		12 months or more	
<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
\$ 950,270	\$ (49,271)	\$ 1,320,143	\$ (78,201)

- 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 June 30, 2011. The Company has the intent to hold such securities until they recover in value or mature.

NOTES TO FINANCIAL STATEMENTS

6.) Joint Ventures, Partnerships and Limited Liability Companies

No significant change.

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	286,714	-	-	286,714
Non-affiliated preferred stock	1,627,100	-	-	1,627,100
Other investments	-	-	-	-
Total assets accounted for at fair value	\$ 1,913,814	\$ -	\$ -	\$ 1,913,814

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 06/30/2011
States, municipalities and political subdivisions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
All other bonds	-	-	-	-	-	-	-	-
Non-affiliated common stock	-	-	-	-	-	-	-	-
Non-affiliated preferred stock	1,000,000	-	-	-	-	-	(1,000,000)	-
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 June 30, 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	1,107	2,101
Prior accident years	(829)	(2,865)
	278	(764)
Loss and loss adjustment expense payments made for:		
Current accident year	(141)	(349)
Prior accident years	(1,033)	(2,888)
	(1,174)	(3,237)
Balance at end of period	\$10,218	\$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, OH 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

SCHEDULE F - CEDED REINSURANCE

Showing All New Reinsurers - Current Year to Date

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

NONE

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

		1	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
			2	3	4	5	6	7
States, Etc.		Active Status	Current Year to Date	Prior Year to Date	Current Year to Date	Prior Year to Date	Current Year to Date	Prior Year to Date
1.	Alabama.....AL	L.....	.....0	.....0	.....0	.....0	.....0	.....0
2.	Alaska.....AK	L.....	.....0	.....0	.....0	.....0	.....1,532	.....1,578
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	.....257
6.	Colorado.....CO	L.....	.....0	.....0	.....0	.....0	.....55	.....60
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	.....15
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	.....20
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	.....5
33.	New York.....NY	L.....	.....0	.....0	.....0	.....0	.....0	.....19
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	.....35
37.	Oklahoma.....OK	L.....	.....0	.....0	.....0	.....0	.....15	.....15
38.	Oregon.....OR	L.....	.....0	.....0	.....0	.....0	.....67	.....79
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	.....55
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	.....2,380	.....2,519

DETAILS OF WRITE-INS								
5801.	XXX.....	.....0	.....0	.....0	.....0	.....0	.....0	.....0
5802.	XXX.....	.....0	.....0	.....0	.....0	.....0	.....0	.....0
5803.	XXX.....	.....0	.....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	.....0
5899. Totals (Lines 5801 thru 5803 + Line 5898) (Line 58 above).....	XXX.....	.....0	.....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.

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 – ORGANIZATIONAL CHART

NONE

AMERICAN EMPIRE INSURANCE COMPANY
PART 1 - LOSS EXPERIENCE

Lines of Business	Current Year to Date			Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire.....	0	0	0.0	0.0
2. Allied lines.....	0	0	0.0	0.0
3. Farmowners multiple peril.....	0	0	0.0	0.0
4. Homeowners multiple peril.....	0	0	0.0	0.0
5. Commercial multiple peril.....	0	0	0.0	0.0
6. Mortgage guaranty.....	0	0	0.0	0.0
8. Ocean marine.....	0	0	0.0	0.0
9. Inland marine.....	0	0	0.0	0.0
10. Financial guaranty.....	0	0	0.0	0.0
11.1. Medical professional liability - occurrence.....	0	0	0.0	0.0
11.2. Medical professional liability - claims-made.....	0	0	0.0	0.0
12. Earthquake.....	0	0	0.0	0.0
13. Group accident and health.....	0	0	0.0	0.0
14. Credit accident and health.....	0	0	0.0	0.0
15. Other accident and health.....	0	0	0.0	0.0
16. Workers' compensation.....	0	0	0.0	0.0
17.1. Other liability-occurrence.....	0	(1)	0.0	0.0
17.2. Other liability-claims made.....	0	0	0.0	0.0
17.3. Excess workers' compensation.....	0	0	0.0	0.0
18.1. Products liability-occurrence.....	0	0	0.0	0.0
18.2. Products liability-claims made.....	0	0	0.0	0.0
19.1, 19.2. Private passenger auto liability.....	0	0	0.0	0.0
19.3, 19.4. Commercial auto liability.....	0	0	0.0	0.0
21. Auto physical damage.....	0	0	0.0	0.0
22. Aircraft (all perils).....	0	(4)	0.0	0.0
23. Fidelity.....	0	0	0.0	0.0
24. Surety.....	0	0	0.0	0.0
26. Burglary and theft.....	0	0	0.0	0.0
27. Boiler and machinery.....	0	0	0.0	0.0
28. Credit.....	0	0	0.0	0.0
29. International.....	0	0	0.0	0.0
30. Warranty.....	0	0	0.0	0.0
31. Reinsurance-nonproportional assumed property.....	XXX	XXX	XXX	XXX
32. Reinsurance-nonproportional assumed liability.....	XXX	XXX	XXX	XXX
33. Reinsurance-nonproportional assumed financial lines.....	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business.....	0	0	0.0	0.0
35. Totals.....	0	(5)	0.0	0.0
DETAILS OF WRITE-INS				
3401.	0	0	0.0	0.0
3402.	0	0	0.0	0.0
3403.	0	0	0.0	0.0
3498. Sum. of remaining write-ins for Line 34 from overflow page.....	0	0	0.0	XXX
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34).....	0	0	0.0	0.0

PART 2 - DIRECT PREMIUMS WRITTEN

Lines of Business	1 Current Quarter	2 Current Year to Date	3 Prior Year Year to Date
1. Fire.....	0	0	0
2. Allied lines.....	0	0	0
3. Farmowners multiple peril.....	0	0	0
4. Homeowners multiple peril.....	0	0	0
5. Commercial multiple peril.....	0	0	0
6. Mortgage guaranty.....	0	0	0
8. Ocean marine.....	0	0	0
9. Inland marine.....	0	0	0
10. Financial guaranty.....	0	0	0
11.1. Medical professional liability - occurrence.....	0	0	0
11.2. Medical professional liability - claims made.....	0	0	0
12. Earthquake.....	0	0	0
13. Group accident and health.....	0	0	0
14. Credit accident and health.....	0	0	0
15. Other accident and health.....	0	0	0
16. Workers' compensation.....	0	0	0
17.1. Other liability-occurrence.....	0	0	0
17.2. Other liability-claims made.....	0	0	0
17.3. Excess workers' compensation.....	0	0	0
18.1. Products liability-occurrence.....	0	0	0
18.2. Products liability-claims made.....	0	0	0
19.1 19.2. Private passenger auto liability.....	0	0	0
19.3 19.4. Commercial auto liability.....	0	0	0
21. Auto physical damage.....	0	0	0
22. Aircraft (all perils).....	0	0	0
23. Fidelity.....	0	0	0
24. Surety.....	0	0	0
26. Burglary and theft.....	0	0	0
27. Boiler and machinery.....	0	0	0
28. Credit.....	0	0	0
29. International.....	0	0	0
30. Warranty.....	0	0	0
31. Reinsurance-nonproportional assumed property.....	XXX	XXX	XXX
32. Reinsurance-nonproportional assumed liability.....	XXX	XXX	XXX
33. Reinsurance-nonproportional assumed financial lines.....	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business.....	0	0	0
35. Totals.....	0	0	0
DETAILS OF WRITE-INS			
3401.	0	0	0
3402.	0	0	0
3403.	0	0	0
3498. Sum. of remaining write-ins for Line 34 from overflow page.....	0	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34).....	0	0	0

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	.....509	.....27	.....535	.....1,547	.....123	.....4,859	.....6,529	.....143	.....(757)	.....(614)
2. 2009.....	.....422	.....1,262	.....1,683	.....132	.....4	.....136	.....382	.....57	.....881	.....1,320	.....92	.....(320)	.....(228)
3. Subtotals 2009 + Prior.....	.....2,334	.....7,028	.....9,362	.....640	.....31	.....671	.....1,928	.....180	.....5,740	.....7,849	.....235	.....(1,076)	.....(842)
4. 2010.....	.....385	.....1,367	.....1,752	.....251	.....110	.....361	.....192	.....184	.....1,027	.....1,404	.....58	.....(46)	.....12
5. Subtotals 2010 + Prior.....	.....2,719	.....8,395	.....11,114	.....891	.....141	.....1,032	.....2,121	.....364	.....6,768	.....9,253	.....292	.....(1,122)	.....(830)
6. 2011.....	.....XXX	.....XXX	.....XXX	.....XXX	.....141	.....141	.....XXX	.....147	.....819	.....966	.....XXX	.....XXX	.....XXX
7. Totals.....	.....2,719	.....8,395	.....11,114	.....891	.....283	.....1,174	.....2,121	.....511	.....7,586	.....10,218	.....292	.....(1,122)	.....(830)
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. ....10.8 %	2. ....(13.4)%	3. ....(7.5)%
													Col. 13, Line 7 Line 8									
													4.(3.4)%									

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

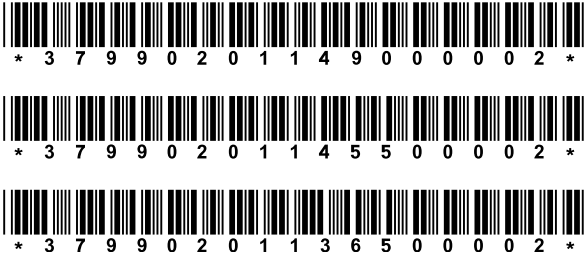
The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing 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.....	1,834,725	1,677,587
3. Accrual of discount.....	26,311	64,074
4. Unrealized valuation increase (decrease).....	7,451	(46,475)
5. Total gain (loss) on disposals.....	25,928	52,703
6. Deduct consideration for bonds and stocks disposed of.....	2,669,734	3,624,234
7. Deduct amortization of premium.....	106,559	228,799
8. Total foreign exchange change in book/adjusted carrying value.....	0	0
9. Deduct current year's other than temporary impairment recognized.....	37,851	2,085
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	35,221,986	36,141,715
11. Deduct total nonadmitted amounts.....	0	0
12. Statement value at end of current period (Line 10 minus Line 11).....	35,221,986	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

QSI02

	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).....	27,406,277	4,530,390	2,735,732	(77,282)	27,406,277	29,123,653	0	26,299,440
2. Class 2 (a).....	5,757,195	0	0	(1,342)	5,757,195	5,755,853	0	5,758,473
3. Class 3 (a).....	725,908	0	105,138	(62)	725,908	620,708	0	721,772
4. Class 4 (a).....	497,621	0	0	104	497,621	497,725	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.....	34,387,001	4,530,390	2,840,870	(78,582)	34,387,001	35,997,939	0	33,277,203
PREFERRED STOCK								
8. Class 1.....	1,107,600	0	0	(2,000)	1,107,600	1,105,600	0	1,079,600
9. Class 2.....	0	0	0	0	0	0	0	1,000,000
10. Class 3.....	516,000	0	0	5,500	516,000	521,500	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.....	1,623,600	0	0	3,500	1,623,600	1,627,100	0	2,561,600
15. Total Bonds and Preferred Stock.....	36,010,601	4,530,390	2,840,870	(75,082)	36,010,601	37,625,039	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 \$.....2,689,767; NAIC 2 \$.....0; NAIC 3 \$.....0; NAIC 4 \$.....0; NAIC 5 \$.....0; NAIC 6 \$.....0.

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.....	.....2,689,767	.....XXX.....	.....2,689,767	.....153	.....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.....	.....5,380,050	.....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.....	.....2,736,345	.....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).....	.....2,689,767	.....46,062
11. Deduct total nonadmitted amounts.....	.....0	.....0
12. Statement value at end of current period (Line 10 minus Line 11).....	.....2,689,767	.....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

SCHEDULE D - PART 3

Show all Long-Term Bonds and Stock Acquired During the Current Quarter

1	2		3	4	5	6	7	8	9	10
CUSIP Identification	Description		Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation or Market Indicator (a)
Bonds - U.S. Special Revenue and Special Assessment										
64986M HA 6	NY ST HSG 5.45 08-15-32 C11 AL28.....			...04/25/2011	CREW AND ASSOCIATES.....		.....772,225	.....790,000	.....8,731	1FE.....
815698 AM 7	SEDGWICK & SHAWNEE KS 5.5 120138 A15.....			...06/30/2011	MORGAN KEEGAN & COMPANY.....		.....1,062,500	.....1,000,000	.....5,347	1FE.....
3199999.	Total - Bonds - U.S. Special Revenue & Special Assessments.....						.....1,834,725	.....1,790,000	.....14,078	.....XXX.....
8399997.	Total - Bonds - Part 3.....						.....1,834,725	.....1,790,000	.....14,078	.....XXX.....
8399999.	Total - Bonds.....						.....1,834,725	.....1,790,000	.....14,078	.....XXX.....
9999999.	Total - Bonds, Preferred and Common Stocks.....						.....1,834,725	.....XXX.....	.....14,078	.....XXX.....

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

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 Disposal Date	5 Name of Purchaser	6 Number of Shares of Stock	7 Consideration	8 Par Value	9 Actual Cost	10 Prior Year Book/ Adjusted Carrying Value	Change in Book/Adjusted Carrying Value					16 Book/ Adjusted Carrying Value At Disposal Date	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Bond Interest/ Stock Dividends Received During Year	21 Maturity Date	22 NAIC Desig- nation or Market Indicator (a)
										11 Unrealized Valuation Increase/ (Decrease)	12 Current Year's (Amortization)/ Accretion	13 Current Year's Other Than Temporary Impairment Recognized	14 Total Change in B./A.C.V. (11+12-13)	15 Total Foreign Exchange Change in B./A.C.V.							
CUSIP Identification	Description																				

Bonds - U.S. Special Revenue and Special Assessment

31392E 3S 7	FNR 2002-71 PD PAC 5.50 10-25-31.....	.....	06/27/2011	PAYDOWNS.....	.....	.....119,306	.....119,306	.....120,127	.....119,569	.....0	.....(263)	.....0	.....(263)	.....0	.....119,306	.....0	.....0	.....0	.....2,755	10/25/2031	1.....
3199999.	Total - Bonds - U.S. Special Revenue & Assessment.....					.....119,306	.....119,306	.....120,127	.....119,569	.....0	.....(263)	.....0	.....(263)	.....0	.....119,306	.....0	.....0	.....0	.....2,755	.....XXX...	..XXX...

Bonds - Industrial and Miscellaneous

12669G XN 6	CWHL 2005-12 1A5 SEQ 5.25 5-25-35.....	.....	06/27/2011	PAYDOWNS.....	.....	.....31,139	.....31,139	.....31,134	.....30,937	.....0	.....202	.....0	.....202	.....0	.....31,139	.....0	.....0	.....0	.....660	05/25/2035	1Z*.....
16165L AC 4	CFLX 2006-1 A2A SEQ SSNR 5.935 62536.....	.....	06/27/2011	PAYDOWNS.....	.....	.....42,639	.....42,639	.....42,635	.....42,639	.....0	.....0	.....0	.....0	.....0	.....42,639	.....0	.....0	.....0	.....941	06/25/2036	1Z*.....
17307G VN 5	CMLT1 2005-WF2 AF7 SEQ STP 8-25-35.....	.....	06/27/2011	PAYDOWNS.....	.....	.....21,568	.....21,568	.....21,568	.....21,116	.....0	.....452	.....0	.....452	.....0	.....21,568	.....0	.....0	.....0	.....478	08/25/2035	1Z*.....
21987H AS 4	CBBC-ADM 98-1 6.50 12-15-17 AL030615.....	.....	06/15/2011	SINKING FUND PAYMENT.....	.....	.....28,775	.....28,775	.....29,864	.....29,321	.....0	.....(29)	.....0	.....(29)	.....0	.....29,292	.....0	.....(517)	.....(517)	.....935	12/15/2017	1FE.....
66704J BP 2	NEF 2006-A A2 SEQ ABS FLT 11-28-23.....	.....	06/01/2011	PAYDOWN.....	.....	.....90,403	.....90,403	.....75,939	.....85,042	.....0	.....5,361	.....0	.....5,361	.....0	.....90,403	.....0	.....0	.....0	.....224	11/28/2023	1Z*.....
961548 AS 3	WESTVACO CORP 7.50 06-15-27 A0419.....	.....	06/15/2011	SINKING FUND PAYMENT.....	.....	.....104,000	.....104,000	.....105,301	.....104,546	.....608	.....(16)	.....0	.....592	.....0	.....105,138	.....0	.....(1,138)	.....(1,138)	.....3,900	06/15/2027	3FE.....
3899999.	Total - Bonds - Industrial & Miscellaneous.....					.....318,524	.....318,524	.....306,441	.....313,601	.....608	.....5,970	.....0	.....6,578	.....0	.....320,179	.....0	.....(1,655)	.....(1,655)	.....7,138	.....XXX...	..XXX...
8399997.	Total - Bonds - Part 4.....					.....437,830	.....437,830	.....426,568	.....433,170	.....608	.....5,707	.....0	.....6,315	.....0	.....439,485	.....0	.....(1,655)	.....(1,655)	.....9,893	.....XXX...	..XXX...
8399999.	Total - Bonds.....					.....437,830	.....437,830	.....426,568	.....433,170	.....608	.....5,707	.....0	.....6,315	.....0	.....439,485	.....0	.....(1,655)	.....(1,655)	.....9,893	.....XXX...	..XXX...
9999999.	Total - Bonds, Preferred and Common Stocks.....					.....437,830	.....XXX.....	.....426,568	.....433,170	.....608	.....5,707	.....0	.....6,315	.....0	.....439,485	.....0	.....(1,655)	.....(1,655)	.....9,893	.....XXX...	..XXX...

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

Sch. DB-Pt A-Sn 1
NONE

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

Sch. DB-Pt B-Sn 1
NONE

Sch. DB-Pt B-Sn 1-Footnote
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	.....499	.....501	XXX..
PNC Bank.....	Pittsburgh, Pennsylvania.....	.....	.....0.000	.....0	.....0	.....102,470	.....18,656	.....28,195	XXX..
0199999. Total Open Depositories.....	...XXX.....	...XXX.....	.....0	.....0	.....102,973	.....19,155	.....28,696	XXX..	
0399999. Total Cash on Deposit.....	...XXX.....	...XXX.....	.....0	.....0	.....102,973	.....19,155	.....28,696	XXX..	
0599999. Total Cash.....	...XXX.....	...XXX.....	.....0	.....0	.....102,973	.....19,155	.....28,696	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 June 30, 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