

**Amend statement to include electronic submission of notes data.**



PROPERTY AND CASUALTY COMPANIES - ASSOCIATION EDITION

## ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2011  
OF THE CONDITION AND AFFAIRS OF THE

### American Modern Surplus Lines Insurance Company

NAIC Group Code 0361 NAIC Company Code 12489 Employer's ID Number 20-3901790

(Current) 0361 (Prior) 0361

Organized under the Laws of Ohio, State of Domicile or Port of Entry Ohio  
Country of Domicile United States of America

Incorporated/Organized 11/28/2005 Commenced Business 09/01/2006

Statutory Home Office 7000 Midland Blvd., Amelia, OH 45102-2607  
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 7000 Midland Blvd.  
(Street and Number) Amelia, OH 45102-2607, 800-543-2644-5478  
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address P.O.Box 5323, Cincinnati, OH 45201-5323  
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 7000 Midland Blvd.  
(Street and Number) Amelia, OH 45102, 800-543-2644-5478  
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.amig.com

Statutory Statement Contact Kenneth L. Kuhn, 800-543-2644-5478  
(Name) kkuhn@amig.com, 513-947-4111  
(E-mail Address) (FAX Number)

#### OFFICERS

President / CEO Manuel Zuniga Rios # Senior Vice President William Todd Gray  
Chairman of the Board / Juergen Erwin Kammerlohr # Senior Vice President James Paul Tierney  
SVP Paul Frederick Gelter

#### OTHER

Matthew Joseph T. McConnell Senior Vice President / Treasurer Michael Lynn Flowers Vice President / Secretary Craig Richard Smiddy Vice President

#### DIRECTORS OR TRUSTEES

Juergen Erwin Kammerlohr Chairman # Michael Lynn Flowers James Paul Tierney  
Paul Frederick Gelter Manuel Zuniga Rios #

State of Ohio SS: \_\_\_\_\_  
County of Clermont

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.

Manuel Zuniga Rios  
President / CEO

Michael Lynn Flowers  
Vice President / Secretary

Kenneth Leo Kuhn  
Vice President / Controller

Subscribed and sworn to before me this  
day of \_\_\_\_\_

a. Is this an original filing? .....  
b. If no,  
1. State the amendment number.....  
2. Date filed .....  
3. Number of pages attached.....

Yes [  ] No [  ]

## NOTES TO FINANCIAL STATEMENTS

### 1) Summary of Significant Accounting Policies

A) The accompanying financial statement of American Modern Surplus Lines Insurance Company has been prepared in conformity with accounting practices prescribed or permitted by the National Association of Insurance Commissioners and the State of Ohio.

B) The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

- C) 1) Short-term investments are stated at amortized cost
- 2) Investment grade Bonds, defined as bonds with NAIC designation 1 and 2, not backed by other loans are stated at amortized cost using the constant yield method, unless another value is required by the NAIC Capital Markets and Investment Analysis Office. All other bonds not backed by loans are carried at the lower of amortized cost or fair value.
- 3) The Company does not own any common stock.
- 4) The Company does not own any preferred stock.
- 5) The Company has no mortgage loans on real estate.
- 6) Loan-backed and structured securities are stated at either amortized cost or the lower of amortized cost or fair value. Mortgage-backed and asset-backed securities are valued using the retrospective adjustment method, except for any such impaired securities which use the prospective method.
- 7) The Company has no investment in a subsidiary.
- 8) The Company has no investments in joint ventures, partnerships, or limited liability companies.
- 9) The Company currently holds no derivative instruments
- 10) The Company has no exposures that require the use of anticipated investment income as a factor in the premium deficiency calculation.
- 11) Not Applicable
- 12) The company has a written capitalization policy for prepaid expenses and purchases of items such as electronic data processing equipment, software, furniture, vehicles, other equipment and leasehold improvements. The predefined capitalization thresholds under this policy have not changed from those of the prior year.
- 13) The Company has no pharmaceutical rebate receivables.

### 2) Accounting Changes and Corrections of Errors

The company had no accounting changes in 2011.

### 3) Business Combinations and Goodwill

The Company has no business combinations or goodwill at this time.

### 4) Discontinued Operations

The company had no discontinued operations in 2011.

### 5) Investments

#### A. Mortgage Loans

The Company has no mortgage loan currently outstanding.

#### B. Debt Restructuring

The Company has no outstanding debt.

#### C. Reverse Mortgages

The Company has no reverse mortgages.

#### D. Loan - Backed Securities

1) The Company uses dealer modeled prepayment assumptions for single class and multi-class mortgage-backed/asset backed securities.

2 & 3) The Company has not recognized any OTTI during the reporting period.

4) a. The aggregate amount of unrealized losses:

## NOTES TO FINANCIAL STATEMENTS

1. Less than 12 Months:	\$ 0
2. 12 Months or Longer	\$ 0

b. The aggregate related fair value of securities with unrealized losses:

1. Less than 12 Months:	\$ 0
2. 12 Months or Longer	\$ 0

### E. Repurchase Agreements and/or Security Lending Transactions

Not Applicable

### F. Real Estate

The Company has no real estate investments.

### G. Investments in Low-Income Housing Tax Credits (LIHTC)

Not Applicable

## 6) Joint Ventures, Partnerships and Limited Liability Companies

The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies.

## 7) Investment Income

The Company has no write-offs for investment income.

## 8) Derivative Instruments

The Company currently holds no derivative instruments

## 9) Income Taxes

The Company adopted SSAP 10R effective 12/31/09. The 12/31/11 and 12/31/10 balances and related disclosures are calculated and presented pursuant to SSAP 10R.

A. The net deferred tax asset/(liability) at December 31 and the change from the prior year are comprised of the following components:

	12/31/2011			12/31/2010			Change Ordinary	Change Capital	Change Total
	Ordinary	Capital	Total	Ordinary	Capital	Total			
(1) Total gross deferred tax assets	1,375,667	-	1,375,667	1,643,438	-	1,643,438	(267,771)	-	(267,771)
(2) Total gross deferred tax liabilities	(2,200)	(69,272)	(71,472)	(1,847)	(1,847)	(1,847)	(353)	(69,272)	(69,625)
(3) Net deferred tax assets /liabilities)	1,373,466	(69,272)	1,304,194	1,641,591	-	1,641,591	(268,125)	(69,272)	(337,397)
(4) Total Deferred tax assets /nomadmitted	-	-	-	(50,649)	-	(50,649)	50,649	-	50,649
(5) Net admitted deferred tax assets / (liabilities)	1,373,466	(69,272)	1,304,194	1,590,942	-	1,590,942	(217,476)	(69,272)	(286,748)
(7) The Company has elected to admit deferred tax assets pursuant to paragraph 10.e. for the years ended 12/31/11 and 12/31/10.	-	-	-	-	-	-	-	-	-
(8) The amount of admitted adjusted gross deferred tax assets admitted under each component of SSAP 10R:	-	-	-	-	-	-	-	-	-

	12/31/2011			12/31/2010			Change Ordinary	Change Capital	Change Total
	Ordinary	Capital	Total	Ordinary	Capital	Total			
Admitted under paragraph 10.a. from prior years income taxes paid that can be recovered through loss carrybacks	1,201,280	-	1,201,280	1,452,346	-	1,452,346	(251,067)	-	(251,067)
Deferred tax asset, Paragraph 10.b., lesser of:	-	-	-	-	-	-	-	-	-
Expected to be recognized within one year, admitted under paragraph 10.b.i	2,527,157	-	2,527,157	2,386,451	-	2,386,451	140,706	-	140,706
10% of adjusted capital and surplus, admitted under paragraph 10.b.ii	-	-	-	-	-	-	-	-	-
Admitted under paragraph 10.b. (lesser of b.i. or b.ii)	71,473	-	71,473	1,847	-	1,847	69,625	-	69,625
Adjusted gross DTAs offsetting existing DTLs, admitted under paragraph 10.c.	1,272,752	-	1,272,752	1,454,194	-	1,454,194	(181,441)	-	(181,441)
Total admitted from the application of paragraph 10.a - 10.c.	-	-	-	-	-	-	-	-	-
Admitted under paragraph 10.e.i. from prior years income taxes paid that can be recovered through loss carrybacks	102,914	-	102,914	138,596	-	138,596	(35,681)	-	(35,681)
Paragraph 10.e.ii., lesser of:	-	-	-	-	-	-	-	-	-
Expected to be recognized within three years, admitted under paragraph 10.e.ii.a	3,790,735	-	3,790,735	3,579,677	-	3,579,677	211,058	-	211,058
15% of adjusted capital and surplus, admitted under paragraph 10.e.ii.b	-	-	-	-	-	-	-	-	-
Admitted under paragraph 10.e.ii. (lesser of e.ii.a or e.ii.b)	-	-	-	-	-	-	-	-	-
Adjusted gross DTAs offsetting existing DTLs, admitted under paragraph 10.e.iii.	-	-	-	-	-	-	-	-	-
Total admitted from the application of paragraph 10.e.	102,914	-	102,914	138,596	-	138,596	(35,681)	-	(35,681)
Total admitted adjusted gross deferred tax assets	1,375,667	-	1,375,667	1,592,789	-	1,592,789	(217,123)	-	(217,123)

The Company's risk-based capital level used for purposes of paragraph 10.d. is based on authorized control level risk based capital of \$4,507,300 and total adjusted capital of \$26,476,800 as of December 31, 2011 and authorized control level risk based capital of \$4,919,270 and total adjusted capital of \$26,001,169 as of December 31, 2010.

(9) The increased amount by tax character, and the change in such, of admitting adjusted gross DTAs as the result of the application of paragraph 10e:

	12/31/2011			12/31/2010			Change Ordinary	Change Capital	Change Total
	Ordinary	Capital	Total	Ordinary	Capital	Total			
Increased (decreased) amount of admitted DTA- ordinary	102,914	-	102,914	138,596	-	138,596	(35,681)	-	(35,681)
Increased (decreased) amount of admitted DTA- capital	-	-	-	-	-	-	-	-	-
Increased (decreased) amount of admitted DTA- total	102,914	-	102,914	138,596	-	138,596	(35,681)	-	(35,681)

(10) The amount of admitted DTAs, admitted assets, statutory surplus and total adjusted capital in the risk-based capital calculation and the increased amount of DTAs, admitted assets and surplus as the result of the application of paragraph 10e:

	12/31/2011			12/31/2010			Change Ordinary	Change Capital	Change Total
	Ordinary	Capital	Total	Ordinary	Capital	Total			
SSAP 10R, Paragraphs 10a, 10b and 10c	1,272,752	-	1,272,752	1,454,194	-	1,454,194	(181,441)	-	(181,441)
Admitted Deferred Tax Assets	-	73,024,044	73,024,044	-	63,958,761	-	9,065,283	-	9,065,283
Admitted Assets	26,373,886	-	26,373,886	-	25,862,573	-	511,313	-	511,313
Adjusted Statutory Surplus	1,201,280	-	1,201,280	-	1,452,347	-	(251,067)	-	(251,067)
Total Adjusted Capital from DTAs	-	-	-	-	-	-	-	-	-
Increase due to SSAP 10R, Paragraphs 10e	102,914	102,914	102,914	138,596	138,596	138,596	(35,681)	-	(35,681)
Admitted Deferred Tax Assets	102,914	-	102,914	138,596	-	138,596	(35,681)	-	(35,681)
Admitted Assets	102,914	-	102,914	138,596	-	138,596	(35,681)	-	(35,681)
Adjusted Statutory Surplus	102,914	-	102,914	138,596	-	138,596	(35,681)	-	(35,681)

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE American Modern Surplus Lines Insurance Co.

## NOTES TO FINANCIAL STATEMENTS

(11) The change in deferred income taxes reported in surplus before consideration of nonadmitted assets is comprised of the following components:

	12/31/2011	12/31/2010	Change	12/31/2010	12/31/2009	Change
Net adjusted deferred tax asset (liability)	1,304,194	1,641,591	(337,397)	1,641,591	1,475,834	165,757
Tax-effect of unrealized gains and losses	(69,272)		(69,272)			
Net tax effect without unrealized gains and losses	1,373,466	1,641,591	(268,125)	1,641,591	1,475,834	165,757
Change in deferred income tax			268,125			(165,757)

B. Unrecognized deferred tax liabilities

- (1) There are no temporary differences for which deferred tax liabilities are not recognized.
- (2) None
- (3) There are no unrecognized DTL for temporary differences related to investments in foreign subsidiaries and foreign corporate joint ventures that are essentially permanent in duration.
- (4) There are no DTL for temporary differences other than those in item (3) above that is not recognized.

C. Current income taxes incurred consist of the following major components:

	12/31/2011	12/31/2010	Change
Current year tax expense (benefit)- ordinary income	(329,154)	1,085,535	(1,414,689)
Current year tax expense (benefit)- realized gains/(losses)	223,177	176,140	47,037
Current year tax expense (benefit) incurred	(105,977)	1,261,675	(1,367,652)
Prior year adjustments	(27,520)	36,591.00	(64,111)
Current income taxes incurred	(133,498)	1,298,266	(1,431,763)

Deferred income tax assets and liabilities consist of the following major components:

	12/31/2011			12/31/2010			Change Ordinary	Change Capital	Change Total
	Ordinary	Capital	Total	Ordinary	Capital	Total			
<b>Deferred tax assets:</b>									
Unearned Premium Reserve	1,079,672	-	1,079,672	1,345,074	-	1,345,074	(265,402)	-	(265,402)
Loss Reserve Discounting	200,567	-	200,567	228,737	-	228,737	(28,170)	-	(28,170)
Reserve for Assessments	50,221	-	50,221	40,429	-	40,429	9,792	-	9,792
Bond Impairments	-	-	-	-	-	-	-	-	-
Nonadmitted asset	45,207	-	45,207	29,198	-	29,198	16,009	-	16,009
<b>Total gross deferred tax assets</b>	<b>1,375,667</b>	<b>-</b>	<b>1,375,667</b>	<b>1,643,438</b>	<b>-</b>	<b>1,643,438</b>	<b>(267,771)</b>	<b>-</b>	<b>(267,771)</b>
Statutory Valuation Allowance Adjustment	-	-	-	-	-	-	-	-	-
<b>Total adjusted gross deferred tax assets</b>	<b>1,375,667</b>	<b>-</b>	<b>1,375,667</b>	<b>1,643,438</b>	<b>-</b>	<b>1,643,438</b>	<b>(267,771)</b>	<b>-</b>	<b>(267,771)</b>
Nonadmitted deferred tax assets	-	-	-	(50,649)	-	(50,649)	50,649	-	50,649
<b>Admitted deferred tax assets</b>	<b>1,375,667</b>	<b>-</b>	<b>1,375,667</b>	<b>1,592,789</b>	<b>-</b>	<b>1,592,789</b>	<b>(217,123)</b>	<b>-</b>	<b>(217,123)</b>
<b>Deferred tax liabilities:</b>									
Unrealized <b>&lt;Gains&gt;</b> Losses	-	-	(69,272)	(69,272)	-	-	-	(69,272)	(69,272)
Other	(2,200)	-	(2,200)	(1,847)	-	(1,847)	(353)	-	(353)
<b>Total deferred tax liabilities</b>	<b>(2,200)</b>	<b>(69,272)</b>	<b>(71,472)</b>	<b>(1,847)</b>	<b>-</b>	<b>(1,847)</b>	<b>(353)</b>	<b>(69,272)</b>	<b>(69,625)</b>
<b>Net admitted deferred tax asset (liability)</b>	<b>1,373,466</b>	<b>(69,272)</b>	<b>1,304,194</b>	<b>1,590,942</b>	<b>-</b>	<b>1,590,942</b>	<b>(217,476)</b>	<b>(69,272)</b>	<b>(286,748)</b>

There was no valuation allowance adjustment to gross deferred tax assets as of December 31, 2011 or December 31, 2010, respectively.

The Company has no specific tax planning strategies that would effect the determination of DTA's or the determination of net-admitted DTA's.

D. The Company's income tax incurred and change in deferred income tax differs from the amount obtained by applying the federal statutory rate of 35% to income before income taxes as follows:

	12/31/2011	12/31/2010
	Total	Total
Current income taxes incurred	(133,498)	1,298,266
Change in deferred income tax (without tax on unrealized gains and losses)	268,125	(165,757)
Total income tax reported	<b>134,627</b>	<b>1,132,509</b>
Income before taxes	476,701	3,300,276
35%	35%	35%
Expected Income tax expense (benefit) at 35% statutory rate	166,845	1,155,097
Increase (decrease) in actual tax reported resulting from:		
a. Dividends received deduction	-	-
b. Tax-exempt income	-	-
c. Change in deferred taxes on nonadmitted assets	(16,009)	(27,540)
d. Prior period adjustments	(16,209)	4,952
Total income tax reported	<b>134,627</b>	<b>1,132,509</b>

E. Operating loss carryforward

(1) As of December 31, 2011, there are no operating loss, net capital loss or tax credit carryforwards available for tax purposes.

(2) The amount of Federal income taxes incurred that are available for recoupment in the event of future net losses are:

Ordinary	Capital	Total
2011	-	223,177
2010	728,860	176,140
2009	494,859	78,539
		905,000
		573,398

(3) There are no deposits admitted under Section 6603 of the Internal Revenue Code.

F. Consolidated federal income tax return

(1) The Company is a member of the Munich-American Holding Corporation (MAHC) consolidated federal income tax return group. Schedule Y, Part 1 of the December 31, 2011 Annual Statement contains a listing of MAHC's other domestic subsidiaries. A listing of the MAHC companies that will be included in the 2011 consolidated federal tax return will be available upon request.

(2) The Company has a written tax sharing agreement with Munich American Holding Corporation approved by the Company's Board of Directors, setting forth the allocation and payment of federal income tax. The consolidated tax provision or credit is allocated to the separate companies on the basis of separate return computations. If the current year results in a reported profit for the insurance company, the tax provision recorded is currently payable to the parent company. If the current year results in a reported loss for the insurance company, the tax credit recorded is currently payable from the parent company to the insurance company. Thus, in loss years, Federal income taxes are recouped immediately and not carried forward. Estimated settlements are performed quarterly with the final amount settled once the tax return is filed.

## NOTES TO FINANCIAL STATEMENTS

### 10) Information Concerning Parent, Subsidiaries, Affiliates, & Other Related Parties

A, B & C) Not Applicable

D) As of December 31, 2011 American Modern Surplus Lines Insurance Company had a balance due from related parties in the amount of \$ 8,478,992 and a balance due to related parties in the amount of \$ 4,677,388.

E) The Company has no guarantees outstanding which would result in a material contingent liability.

F) The parent company has agreed to provide all necessary services and materials to the Company. The Company reimburses the parent company for the actual cost of providing such services and materials.

G) All outstanding shares of American Modern Surplus Lines Company are owned by American Family Home Insurance Company, an insurance company domiciled in the State of Florida.

H) The Company does not own any shares of stock of the parent company.

I) American Modern Surplus Lines Insurance Company Inc. has no investment in subsidiary.

J) American Modern Surplus Lines Insurance Company Inc. has no impaired investments in Subsidiary, Controlled and Affiliated Entities.

K & L) Not applicable

### 11) Debt

A) The Company has no capital notes

B) The Company has no outstanding debt.

### 12) Retirement Plans, Deferred Compensation, and Other Postretirement Benefit Plans

A, B, C, E, & F) Not Applicable

D) Since an intermediate parent company, Midland-Guardian Company, supplies all services, the Company maintains no deferred compensation or retirement plan, nor any other post-retirement benefit plans and has no legal obligation for these plans. Midland-Guardian Company allocates cost of benefits to the company based on a percentage of salaries.

### 13) Capital and Surplus, Dividend Restrictions, and Quasi-Reorganizations

A) The company has 1,000 shares of capital stock issued and outstanding as of December 31, 2011 with a par value of 5,000.00 per share

B) The Company currently has no issue of preferred stock outstanding.

C) Dividends are restricted to the amount of earned surplus.

D) Not applicable

E) No restrictions exist as to the portion of Company profits that may be paid as ordinary dividends to stockholders.

F) No restrictions exist as to the unassigned surplus funds shown in this statement.

G) Not Applicable

H) The Company is holding no stock designated as special purpose.

I) Not Applicable

J) The portion of unassigned funds (surplus) represented by cumulative unrealized gains and losses is \$128,649.

K, L, & M) Not Applicable

### 14) Contingencies

A) The Company has no contingent commitments as of December 31, 2011.

## NOTES TO FINANCIAL STATEMENTS

- B) The Company receives various state assessments throughout the year but at this time is unable to estimate the possible amounts and the corresponding impact on the financials.
- C) The Company does not have any gain contingencies.
- D) The Company does not have any claims related extra contractual obligation or bad faith losses to report.
- E) The Company currently has no pending legal proceedings that are beyond the ordinary course of business which could have a material financial effect.

**15) Leases**

The Company does not have any material lease obligations at this time.

**16) 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 risks or with concentrations of credit risk.

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

- A) The Company did not participate in the transfers of receivables reported as Sales.
- B) The Company did not participate in the transfers and servicing of financial assets.
- C) 1) The Company did not have any transactions involving Wash Sales.  
2) The Company does not own any NAIC designation 3 or below securities.

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

Not Applicable.

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

The Company does not have any managing general agents.

**20) Fair Value Measurements**

Description	Level 1	Level 2	Level 3	Total
Assets at Fair Value				
Bonds				
U.S. Governments	0	0	0	0
Industrial and Misc	0	0	0	0
Parent, Subsidiaries and Affiliates	0	0	0	0
Total Bonds	0	0	0	0
Total Assets at Fair Value	0	0	0	0

**21) Other Items**

The Company has no extraordinary items or troubled debt restructuring items to report.

The Company has no uncollectible asset balances to report and has not received any business interruption insurance recoveries.

The Company has no State Transferable Tax Credits and has no subprime mortgage related risk exposure.

**22) Events Subsequent**

There are no subsequent events that may have a material effect on the financial condition of the Company.

**23) Reinsurance**

- A) The Company has no unsecured reinsurance recoverable.

## NOTES TO FINANCIAL STATEMENTS

B) The Company has no unsecured reinsurance recoverable currently in dispute.

C) The maximum amount of return commission due to or from reinsurers if all reinsurance contracts were cancelled at December 31, 2011 was:

(1)	ASSUMED		CEDED		NET	
	Premium	Commission	Premium	Commission	Premium	Commission
a. Affiliates	\$15,463,889	\$2,508,223	\$6,301,775	\$1,907,847	\$9,162,114	\$600,376

d. Direct Unearned Premium Reserve \$ 6,301,775

(2) The Company currently has no additional or return commission due to or from reinsurers as a result of contractual obligations that calculate commission based on loss experience or any other profit sharing agreement.

(3) The Company has no protected cell risks

D) The Company has not written off any uncollectible reinsurance during the year.

E) The Company has not reported in its operations any commutation of reinsurance during the year.

F) The Company does not have any retroactive reinsurance.

G) The Company has no reinsurance accounted for as a deposit.

H) The Company has not entered into any agreements that have qualified to receive P&C Run-off Accounting Treatment.

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

The Company does not have any accrued retrospective premium adjustments.

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

Reserves for incurred losses and loss adjustment expenses attributable to insured events of prior years have decreased. The one year decrease is \$1.0 million and is the result of ongoing analysis of recent loss development trends. The majority of the decrease results from the homeowners line of business, commercial multiple peril line of business and the other liability line of business. The two year decrease is \$1.3 million. Original estimates are increased or decreased, as additional information becomes known regarding individual claims. The majority of the two year decrease results from the homeowners line of business, other liability line of business, and the special property line of business.

**26) Intercompany Pooling Arrangements**

A) American Modern Home Insurance Company acts as the lead company in the pooling arrangement. The American Modern Insurance Group affiliates, their NAIC#, and pooling percentages which are reinsured 100% by the lead company are as follows:

	2011	
American Modern Home Insurance Company	23469	47.5%
American Family Home Insurance Company	23450	27%
American Western Home Insurance Company	35912	9%
American Southern Home Insurance Company	41998	4%
American Modern Select Insurance Company	38652	5%
American Modern Surplus Lines Insurance Company	12489	5%
American Modern Insurance Company of Florida, Inc.	12314	2%
First Marine Insurance Company	42722	0.5%

B) All lines and types of business are subject to the pooling arrangement.

C) After assuming 100% of the direct and assumed business from the affiliated members of the pool, the lead company cedes to the non-affiliated reinsurers its direct and assumed business in accordance with the terms of the respective reinsurance contracts. The retained business is then ceded to each affiliate according to its pooling percentage.

D) There are no individual reinsurance agreements that provide a contractual right of direct recovery for any member of the pooling arrangement.

E) No discrepancies exist on the corresponding assumed and ceded reinsurance schedules of the pool participants.

## **NOTES TO FINANCIAL STATEMENTS**

F) All ceded transactions with non-affiliated reinsurers are done through the lead company after the assumption from the affiliated members of the pool. Therefore, the Provision for Unauthorized Reinsurance liability and the risk of uncollectible reinsurance remains with the lead company.

G) The amounts due to/(from) the lead entity and all affiliated entities participating in the intercompany pool as of December 31, 2011 are as follows:

American Modern Home Insurance Company	13,970,118
American Family Home Insurance Company	(6,285,378)
American Western Home Insurance Company	(2,473,330)
American Southern Home Insurance Company	523,047
American Modern Select Insurance Company	(5,016,845)
American Modern Surplus Lines Insurance Company	(166,068)
American Modern Insurance Company of Florida, Inc.	(445,218)
First Marine Insurance Company	(106,326)

**27) Structured Settlements**

The Company has no structured settlements.

**28) Health Care Receivables**

The Company has no health care receivables

**29) Participating Policies**

The Company has no participating policies.

**30) Premium Deficiency Reserves**

1. Liability carried for premium deficiency reserves	\$ 0
2. Date of the most recent evaluation of this liability	12/31/11
3. Was anticipated investment income utilized in the calculation	No

**31) High Deductibles**

The Company has no high deductibles.

**32) Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expense**

The Company discounts no unpaid losses or loss adjustment expense.

**33) Asbestos/Environmental Reserves**

The Company does not have any exposure relating to asbestos or environmental claims.

**34) Subscriber Savings Accounts**

The Company does not have any subscriber savings accounts.

**35) Multiple Peril Crop Insurance**

The Company has no multiple peril crop insurance exposures.

**36) Financial Guaranty Insurance**

The Company has no financial guaranty insurance exposures.