





16705201120100105

ANNUAL STATEMENT

For the Year Ended December 31, 2011  
OF THE CONDITION AND AFFAIRS OF THE

Dealers Assurance Company

NAIC Group Code	0000	0000	NAIC Company Code	16705	Employer's ID Number	34-6513705
	(Current Period)	(Prior Period)				
Organized under the Laws of	Ohio	, State of Domicile or Port of Entry			Ohio	
Country of Domicile	US					
Incorporated/Organized	August 2, 1935			Commenced Business	August 2, 1935	
Statutory Home Office	3518 Riverside Drive			Upper Arlington, OH 43221		
	(Street and Number)			(City or Town, State and Zip Code)		
Main Administrative Office	3518 Riverside Drive					
	(Street and Number)					
	Upper Arlington, OH 43221			800-282-8913		
	(City or Town, State and Zip Code)			(Area Code) (Telephone Number)		
Mail Address	3518 Riverside Drive			Upper Arlington, OH 43221		
	(Street and Number or P.O. Box)			(City or Town, State and Zip Code)		
Primary Location of Books and Records	3518 Riverside Drive			Upper Arlington, OH 43221		
	(Street and Number)			(City or Town, State and Zip Code)		
Internet Web Site Address	www.dealersassurance.com					
Statutory Statement Contact	Daniel George			800-282-8913-208		
	(Name)			(Area Code) (Telephone Number) (Extension)		
	dgeorge@dealersassurance.com			614-459-2665		
	(E-Mail Address)			(Fax Number)		

OFFICERS

	Name	Title
1.	Kirk Alan Borchardt	CEO/President
2.	Daniel Eric George #	CFO/Secretary
3.	Sharon Mae Spohn	Treasurer

VICE-PRESIDENTS

Name	Title	Name	Title
Edmond Melger Eckert	Vice President		

DIRECTORS OR TRUSTEES

James Bradford Smith	Edmond Melgar Eckert	Sharon Mae Spohn	Kirk Alan Borchardt
Daniel Eric George #			

State of Ohio

County of Franklin ss

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)
Kirk Alan Borchardt	Daniel Eric George	Sharon Mae Spohn
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
CEO/President	CFO/Secretary	Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to (or affirmed) before me on this  
24th day of February, 2012, by

a. Is this an original filing? [ ] Yes [X] No

b. If no: 1. State the amendment number 1

2. Date filed 04/20/2012

3. Number of pages attached 3

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

#### a. Accounting Practices

The accompanying financial statements of Dealers Assurance Company have been prepared in accordance with accounting practices prescribed or permitted by the National Association of Insurance Commissioners and the State of Ohio. The company adopted codification as of 01/01/01.

#### b. Use of Estimates in the Preparation of the Financial Statements

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. Accounting Policy

1. Short-term investments are stated at cost.
2. Bonds are stated at amortized cost using the scientific method.
3. Common stocks are marked to market.
4. The Company has no investments in preferred stocks.
5. The Company owns no mortgage loans.
6. Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair value. They are amortized using the prospective method.
7. The Company has no investments in subsidiaries or the parent company.
8. Investments are not made in joint ventures, partnerships and limited liability companies.
9. The Company does not use derivatives.
10. The Company does not have a premium deficiency reserve.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined.
12. The Company has not modified its capitalization policy from the prior period.
13. The Company has not reported receivables for pharmaceutical rebates.

### 2. Accounting Changes and Corrections of Errors

The Company did not make any corrections to prior year annual statements in the 2011 statement.

### 3. Business Combinations and Goodwill

The Company has not merged with any other entity during 2011.

### 4. Discontinued Operations

Dealers Assurance Company has no discontinued operations to report.

### 5. Investments

- A. Mortgage Loans, Including Mezzanine Real Estate Loans  
The Company has no mortgage loans.
- B. Debt Restructuring  
No recorded investment in restructured loans to report.
- C. Reverse Mortgages  
The Company has no investment in reverse mortgages.
- D. Loan-Backed Securities
  1. Bloomberg is used as a source for the prepayment factors.
  2. – 4. Not applicable, no permanently impaired bonds.
  5. No impairments exist other than interest rate related declines classified as temporary.
- E. Repurchase Agreements  
The Company did not purchase any repurchase agreements in 2011.
- F. Real Estate  
The Company does not own investments in Real Estate.
- G. Investments in Low-Income Housing Tax Credits  
The Company has no investments to report that result in low-income housing tax credits.

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

The Company does not have any investments in joint ventures, partnerships or limited liability companies.

### 7. Investment Income

All investment income due and accrued that is over 90 days past due would be excluded from surplus. The Company does not have any excluded investment income.

### 8. Derivative Instruments

Dealers Assurance Company does not own derivative instruments.

NOTES TO FINANCIAL STATEMENTS

9. Income Taxes

A. The components of the net deferred tax assets/(liability) at December 31, 2011 are as follows:

1.

	12/31/2011			12/31/2010			Change		
	Ordinary	Capital	2011 Total	Ordinary	Capital	2010 Total	Ordinary	Capital	Total
a Gross Deferred Assets	975,305	248,697	1,224,002	888,519	514,664	1,403,183	86,786	(265,967)	(179,181)
b Statutory valuation allowance adjustment									
c Adjusted Gross Deferred tax Asset	975,305	248,697	1,224,002	888,519	514,664	1,403,183	86,786	(265,967)	(179,181)
d Deferred tax liabilities	(12,249)	0	(12,249)	(98,694)	0	(98,694)	86,445		86,445
e Subtotal (Net Deferred tax Assets)	963,056	248,697	1,211,753	789,825	514,664	1,304,489	173,231	(265,967)	(92,736)
f Deferred Tax Assets Nonadmitted	604,400	0	604,400	461,877	0	461,877	142,523	0	142,523
g Net Admitted Deferred Tax Asset	358,656	248,697	607,653	327,948	514,664	842,612	30,708	(265,967)	(235,259)

	12/31/2011			12/31/2010			Change		
	Ordinary	Capital	2011 Total	Ordinary	Capital	2010 Total	Ordinary	Capital	Total
Admission Calculation Components									
SSAP No 10R Paragraphs 10a, 10b and 10c:									
a SSAP No 10R Paragraph 10a	0	0	0	0		0	0	0	0
b SSAP No 10R Paragraph 10b (the lesser of Paragraph 10b i and 10b ii below)	358,656	0	358,656	327,948	0	327,948	30,708	0	30,708
c SSAP No 10R paragraph 10b i	0	0	0	0	0	0	0		0
d SSAP No 10R Paragraph 10b ii	0	0	0	0	0	0	0		0
e SSAP No 10R Paragraph 10c									
f Total (4a+4b+4e)	358,656		358,656	327,948		327,948	30,708		30,708

Admission calculation Components									
SSAP No 10R Paragraph 10e									
g SSAP No 10R Paragraph 10e i		248,697	248,697		514,664	514,664		(265,967)	(265,967)
h SSAP No 10R Paragraph 10e ii (the lesser Paragraph of 10e ii a and 10e ii b below)									
i SSAP No 10R Paragraph 10e ii a									
j SSAP No 10R Paragraph 10e ii b									
k SSAP No 10r Paragraph 10e ii									
l Total (4g+4h+4k)		248,697	248,697		514,664	514,664		(265,967)	(265,967)

Used in SSAP No 10R Paragraph 10d									
m Total Adjusted Capital			44,155,680			39,586,091			4,569,589
n Authorized Control level			6,450,667			4,743,186			1,707,481

NOTES TO FINANCIAL STATEMENTS

5.

	12/31/2011			12/31/2010			Change		
	Ordinary	Capital	2011 Total	Ordinary	Capital	2010 Total	Ordinary	Capital	Total
Impact of Tax Planning Strategies									
a Adjusted Gross DTA's (% of Total Adjusted Gross DTA's)	0%	20.32%	20.32%	0%	36.68%	36.68%	0%	-16.36%	-16.36%
b Net Admitted Adjusted Gross DTA's (% of Total Admitted Adjusted Gross DTA's)	0%	40.95%	40.95%	0%	61.08%	61.08%	0%	-20.13%	-20.13%

6.

	12/31/2011			12/31/2010			Change		
	Ordinary	Capital	2011 Total	Ordinary	Capital	2010 Total	Ordinary	Capital	Total
SSAP No 10R Paragraphs 10a, 10b, and 10c									
a Admitted Deferred Tax Asset	358,656	0	358,656	327,948		327,948	30,708		30,708
b Admitted Assets			76,420,489			69,044,670			7,375,819
c Adjusted Statutory Surplus			44,155,680			39,586,091			4,569,589
d Total Adjusted Capital from DTA's			358,656			327,948			30,708

Increases due to SSAP 10R Paragraph 10e									
e Admitted Deferred Assets	248,697		248,697	514,664		514,664	(265,967)		(265,967)
f Admitted Assets			76,420,489			69,044,670			7,375,819
g Statutory Surplus			44,155,680			39,586,091			4,569,589
h Total Adjusted Capital from DTAs			248,697			514,664			(265,967)

B	Deferred tax liabilities are not recognized for the following amounts: The Company did not have any deferred tax liabilities that were not recognized.			
C.	Current income taxes incurred consist of the following major components			
		2011	2010	
	Federal	\$2,024,233	\$2,108,672	
	Foreign	\$0	\$0	
	Current income taxes incurred	\$2,024,233	\$2,108,672	

The main components of the 2011 deferred tax amounts are as follows:			
DTA's		12/31/2011	12/31/2010
	Change in unearned premium reserves	929,846	862,418
	Reserve Discount	6,113	838
	Accrued Vacation	20,393	25,264
	Capital Loss Carry Forward	248,697	514,664
	Unrealized Capital Losses	18,953	-
	Total DTA's	1,224,002	1,403,184
	DTA's Nonadmitted	604,400	461,878
	Admitted Deferred Tax Assets	619,602	941,306
DTL's			
	Unrealized Capital gains	-	79,042
	Discounted Bonds	12,249	19,652
	Total DTL's	12,249	98,694
	Net Admitted Deferred Tax Asset	607,353	842,612

The changes in main components of DTA's and DTL's are as follows:

DTA's resulting from book/tax differences in	2011	2010	Change
Reserves	929,846	862,418	67,428
Reserve Discount	6,113	838	5,275
Accrued Vacation	20,393	25,264	(4,871)
Capital Loss Carry Forward	248,697	514,664	(265,967)
Unrealized Capital Losses	18,953	-	18,953
Total DTA's	1,224,002	1,403,183	(179,181)
DTA's Nonadmitted	604,400	461,877	142,523
DTL's resulting from book/tax differences in			
Unrealized Capital Gains	-	79,042	(79,042)
Discount on Bonds	12,249	19,652	(7,403)
Total DTL's	12,249	98,694	(86,445)

NOTES TO FINANCIAL STATEMENTS

D. Among the more significant book to tax adjustments were the following:

	Amount	Tax Effect
Income before taxes	6,484,658	2,204,784
Book over tax reserves	198,319	67,428
Dividends received deduction	(55,223)	(18,776)
Accrued Vacation	(14,325)	(4,871)
Discounting on Bonds	21,774	7,403
Other	15,220	5,175
Capital loss carry forward	(731,462)	(248,697)
Total adjustments	(565,697)	(192,337)
Total Income	5,918,961	2,012,447

- E. 1. At December 31, 2011, the Company had \$0 of operating loss carry forward.
2. The following are income taxes incurred in the current and prior year that will be available for recoupment in the event of future net losses
- |      |             |
|------|-------------|
| 2010 | \$2,024,233 |
| 2011 | \$2,108,672 |
3. The Company had no protective tax deposits as admitted assets under Section 6603 of the Internal Revenue Service Code as of December 31, 2011 and 2010.

F. Dealers Assurance Company federal income tax return is consolidated with Dealers Alliance Corporation and DAC Insurance Agency, Inc. A written agreement exists setting forth the manner in which the federal income tax is allocated to each entity. The federal income tax allocated to this company is based on its portion of the net consolidated income.

10. Information Concerning Parent, Subsidiaries and Affiliates and Other Related Parties
- A. All outstanding shares of Dealers Assurance Company are owned by Dealers Alliance Corporation, an insurance holding company domiciled in the State of Ohio.
- B-D Dealers Assurance Company had no transactions with an affiliated company other than cost allocation transactions that are based upon generally accepted accounting principles.
- E. Dealers Assurance Company has no guarantees or undertakings for the benefit of an affiliate, which result in a material contingent exposure of the Company's assets or liabilities.
- F. Other than cost allocation transactions described in (B-D) above there are no material management or service contracts.
- G. The parent company, Dealers Alliance Corporation, is a non-insurance entity. The Company had no transactions other than cost allocation with its parent company. Through 09/30/10 (and prior years) Dealers Assurance Company provided funds for federal income tax deposits (on a consolidated basis). In prior years other companies included in consolidated tax return reimbursed their portion of federal income tax deposits on a quarterly basis. However, at December 31, 2011, there was approximately \$1.2M receivable that had not been reimbursed by Dealers Alliance Corporation. Dealers Assurance Company has reflected that receivable on Asset line 23 – Receivables from parent, subsidiaries and affiliates. The Company has listed this receivable as a non admitted asset.
- H-L Dealers Assurance Company holds no investments in its parent company or affiliates.

11. Debt
- The Company does not have any outstanding debt.

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Post Retirement Benefit Plans.
- Dealers Assurance Company has no retirement plans, deferred compensation plans or other postretirement plans.

13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations
1. The Company has 3,000 shares authorized, 2,330 shares issued and 2,330 shares outstanding.
2. The Company has no preferred stock outstanding.
3. There are no restrictions placed on the portion of company profits that may be paid as ordinary dividends to Stockholders other than the restrictions outlined in (5) below.
4. An ordinary dividend of \$2,000,000 was declared and paid to the company's parent, Dealers Alliance Corporation in 2010.
5. The maximum amount of dividends which can be paid by the State of Ohio insurance companies to shareholders without prior approval of the Insurance Commissioner is subject to restrictions relating to statutory surplus. Statutory surplus at December 31, 2011 was \$44,155,680.
6. There were no restrictions placed on the Company's surplus.
7. Company is a stock company.
8. No stocks are held for special purposes.
9. There are no special surplus funds.
10. The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized losses are \$55,744.
11. The Company issued the following surplus note:

Date	I s s u e  Interest Rate	Par Value (Face Amount of Note)	Carrying Value	Principal And/Or Interest Paid Current Year	Total Principal And/Or Interest Paid	Unapproved Principal And/Or Interest	Date of Maturity
5/26/2004	Libor+4.25 w/12.50% cap until 5/24/09	3,000,000	3,000,000	\$138,487	\$1,559,454	\$0	05/24/34 with first optional call date

This debt obligation exposes DAC to variability in interest payments due to changes in interest rates. If interest rates increase, interest expense increases. Conversely, if interest rates decrease, interest expense decreases. Management has allowed the interest rate swap (@8.87%) with Key Bank to expire without renewing.

12-13. The Company has not undergone reorganization.

14. Contingencies
- A – E. The Company does not have outstanding contingencies to report.

15. Leases
- Dealers Assurance Company has no material lease obligations at this time.

16. Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk
- The Company does not own these types of investments.

NOTES TO FINANCIAL STATEMENTS

17. **Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**  
The Company does not have any sales or transfers to repor
18. **Gain/Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans**  
The Company was not subject to any gain or loss from uninsured accident and health plans or the uninsured portion of Insured plans.
19. **Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**  
The Company does not have premiums to report produced by managing general agents or third party administrators

20. **Fair Value Adjustments**

A.

(1) Assets Measured at Fair Value on a Recurring Basis

(1) Description	(2) (Level 1)	(3) (Level 2)	(4) (Level 3)	(5) Total
a. Assets at fair value				
Preferred Stock	-	-	-	-
Bonds	-	-	-	-
Common Stock (Ind & Misc)	\$3,430,747	-	-	\$3,430,747
Derivative assets	-	-	-	-
Separate account assets	-	-	-	-
Total assets at fair value	\$3,430,747	\$ -	\$ -	\$3,430,747
b. Liabilities at fair value	-	-	-	-
Total liabilities at fair value	-	-	-	-
(2) There have been no significant transfers between level 1 and 2.				
(3) Assets measured at Fair Value on a recurring basis with significant unobservable inputs (level 3).				
NONE				

21. **Other Items**
- A. the Company does not have extraordinary items to report.
- B. No restructuring of debt occurred.
- C. Other Items - None
- D – F. The Company does not have any additional disclosures to report.
- G. Subprime Mortgage-Related Risk Exposure  
The company does not have any exposure to sub-prime mortgage related risk.  
The Company's investment strategy of providing safety and preservation of capital, sufficient liquidity to meet cash flow requirements and the attainment of a competitive after-tax investment return is supported by a well diversified portfolio consisting of many different types of investments.

22. **Events Subsequent**  
At the time of filing, no events have occurred which may have a material effect on the financial condition of The Company.

23. **Reinsurance**
- A. The Company has no unsecured reinsurance recoverable to report.
- B. The Company has no reinsurance recoverable in dispute.
- C. Reinsurance Assumed or Ceded

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a Affiliates						
b All other	\$332	-	\$(124,107,753)	-	\$(124,107,421)	-
c TOTAL	\$332	-	\$(124,107,753)	-	\$(124,107,421)	-
d Direct Unearned Premium reserve			\$ 137,781,620		\$ 137,781,620	

2. The additional or return commissions, predicted on loss experience or on any other form of profit sharing arrangements in this annual statement as result of existing contractual arrangements are accrued as follows:

	(1) Direct	(2) Assumed	(3) Ceded	(4) Net
a. Contingent Commissions	118,768	-	-	118,768
b. Sliding Scale Adjustments				
c. Other Profit Commissions				
d. Total	118,768	-	-	118,768

3. The Company does not have risks assigned to protected cells.
- D. The Company has no uncollectible reinsurance.
- E. Dealers Assurance Company has no commutation of ceded insurance.
- F. The Company did not write any retroactive reinsurance.
- G. The Company does not have reinsurance accounted for as a deposit.
- H. The Company did not enter into any run-off agreements.

24. **Retrospectively Rated Contracts & Contracts Subject to Redetermination**  
The Company does not have retrospectively rated contracts or contracts subject to redetermination

25. **Change in Incurred Losses and Loss Adjustment Expenses**  
Reserves as of December 31, 2010 were \$16,424. As of December 31, 2011 \$14,276 was paid for incurred losses and loss adjustment expenses attributable to insured events of prior years. Reserves for prior year are now \$0. There was no re-estimation of unpaid claims and claim adjustment expenses. There has been \$2,148 of favorable prior year development. Business written by DAC is related to service contracts issued on an assortment of consumer goods, but primarily, automobile

NOTES TO FINANCIAL STATEMENTS

service contracts. Historically, losses on this coverage are settled within 90 days of incurred date (98.7%); and the balance is settled within 180 days of incurred date

26. Intercompany Pooling Agreements

The Company does not participate in intercompany pooling arrangements.

27. Structured Settlements

Dealers Assurance Company has no structured settlements.

28. Health Care Receivables

The Company does not have health care receivables.

29. Participating Policies

The Company does not write participating policies.

30. Premium Deficiency Reserves

On February 24, 2012 the company's outside actuaries reviewed the reserves at 12/31/11. Using anticipated Investment income it was determined that the company had an adequate reserve liability set up and did not need to carry an additional liability for premium deficiencies.

31. High Deductibles

The Company does not have reserve credits for high deductibles.

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

The Company does not discount unpaid losses or unpaid loss adjustment expenses.

33. Asbestos/Environment Reserves

Dealers Assurance Company does not have exposure to asbestos/environment claims.

34. Subscriber Savings Account

The Company does not have subscriber savings accounts.

35. Multiple Peril Crops Insurance

The Company does not write multiple peril crop insurance.

36. Financial Guaranty Insurance

The company does not write financial guaranty insurance.