
AMENDED FILING EXPLANATION

The 2011 Annual Statement for Wayne Mutual Insurance Company was amended for the following reasons

1. Correction of Note 25 Change in Incurred Losses and Loss Adjustment Expenses on page 14.9
2. Completion of the electronic filing Note 30 Premium Deficiency Reserves



ANNUAL STATEMENT

For the Year Ended December 31, 2011
of the Condition and Affairs of the

WAYNE MUTUAL INSURANCE COMPANY

NAIC Group Code.....4678, 4678
(Current Period) (Prior Period)

Organized under the Laws of OHIO

Incorporated/Organized..... January 10, 1910

Statutory Home Office

Main Administrative Office

Mail Address

Primary Location of Books and Records

Internet Web Site Address

Statutory Statement Contact

NAIC Company Code..... 16799

State of Domicile or Port of Entry OHIO

3873 CLEVELAND ROAD..... WOOSTER OH 44691
(Street and Number) (City or Town, State and Zip Code)

3873 CLEVELAND ROAD..... WOOSTER OH 44691
(Street and Number) (City or Town, State and Zip Code)

3873 CLEVELAND ROAD..... WOOSTER OH 44691
(Street and Number or P. O. Box) (City or Town, State and Zip Code)

3873 CLEVELAND ROAD..... WOOSTER OH 44691
(Street and Number) (City or Town, State and Zip Code)

WWW.WAYNEINSGROUP.COM

TOD JAMES CARMONY
(Name)

TOD_CARMONY@WAYNEINSGROUP.COM
(E-Mail Address)

Employer's ID Number..... 34-0606100

Country of Domicile US

Commenced Business..... March 1, 1910

330-345-8100
(Area Code) (Telephone Number)

330-345-8100
(Area Code) (Telephone Number)

330-345-8100-324
(Area Code) (Telephone Number) (Extension)

330-345-1321
(Fax Number)

OFFICERS

| Name | Title | Name | Title |
|----------------------|----------------|--------------------------|----------------|
| 1. TOD JAMES CARMONY | PRESIDENT | 2. DAVID EDWARD TSCHANTZ | TREASURER |
| 3. MORRIS STUTZMAN | SECRETARY | 4. | |
| OTHER | | | |
| TIMOTHY JOHN SUPPES | VICE PRESIDENT | DAVID EDWARD TSCHANTZ | VICE PRESIDENT |
| NORMAN HERBERT LEWIS | VICE PRESIDENT | | |

DIRECTORS OR TRUSTEES

| | | | |
|-------------------------|-----------------------|-----------------------|-------------------|
| SCOTT LEE PREISING | MORRIS STUTZMAN | GREGORY TODD BUEHLER | TOD JAMES CARMONY |
| ELIZABETH FREEMAN MCCOY | DONALD ALVIN RAMSEYER | DAVID EDWARD TSCHANTZ | |

State of..... OHIO
County of..... WAYNE

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.

| | | |
|--|--|--|
| <div>(Signature)</div> <div>TOD JAMES CARMONY</div> <div>1. (Printed Name)</div> <div>PRESIDENT</div> <div>(Title)</div> | <div>(Signature)</div> <div>DAVID EDWARD TSCHANTZ</div> <div>2. (Printed Name)</div> <div>TREASURER</div> <div>(Title)</div> | <div>(Signature)</div> <div>MORRIS STUTZMAN</div> <div>3. (Printed Name)</div> <div>SECRETARY</div> <div>(Title)</div> |
| <div>Subscribed and sworn to before me</div> <div>This _____ day of _____ 2012</div> | <div>a. Is this an original filing?</div> <div>b. If no</div> <div>1. State the amendment number</div> <div>2. Date filed</div> <div>3. Number of pages attached</div> | <div>Yes [] No [X]</div> <div>1</div> <div>4/20/2012</div> <div>11</div> |

STATEMENT AS OF DECEMBER 31, 2011 OF THE WAYNE MUTUAL INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

Note 1 -Summary of Accounting Policies

A. Accounting Practices

The Statement was prepared with 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 determining its solvency under the Ohio Insurance Law. The National Association of Insurance Commissioners' NAIC Accounting Practices and Procedures manual, version effective January 1, 2001, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Ohio.

B. Use of Estimates

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 Policies

Premiums are earned over the terms of the related insurance policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rata methods for direct business and are based on reports received from ceding companies for reinsurance. Expenses incurred in connection with acquiring new insurance business, including such acquisition cost as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

In addition, the Company uses the following accounting policies:

1. Short-term investments are stated at amortized value using the interest method. Non-investment grade short-term investments are stated at the lower of amortized value or fair value.
2. Investment grade bonds not backed by other loans are stated at amortized value using the interest method. Non-investment grade bonds with NAIC designations of 3 through 6 are stated at the lower of amortized value or fair value.
3. Common stocks, other than investments in stocks of subsidiaries and affiliates, are stated at fair value.
4. Investment grade redeemable preferred stocks are stated at amortized value. Investment grade perpetual preferred stocks are stated at fair value. Non-investment grade preferred stocks are stated at the lower amortized value or fair value.
5. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an 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 amounts are adequate, the ultimate liabilities may be in excess of or less than the amount provided. The methods of making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined.
6. 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.

Note 2 - Accounting Changes and Corrections of Errors

A. Accounting changes other than Codification and Correction of Errors

Not applicable

Note 3 - Business Combinations and Goodwill

A. Statutory Purchase Method

Not applicable

B. Statutory Mergers

Not applicable

C. Write downs for Impairment of Investments in Affiliates

Not applicable

Note 4 - Discontinued Operations

A. Not applicable

Note 5 – Investments

A. Mortgage Loans

1. The lending rate for commercial mortgage loans originated in 2010 are 3.25%
2. The Company did not reduce interest rates on any outstanding loans during the current year.
3. The maximum percentage of any one loan to value of collateral at the time of the loan was 67%
4. The Company did not hold mortgages with interest 180 days or more past due.
5. There were no taxes, assessments or any amounts advanced and not included in the mortgage loan.
6. -12. There were no impaired mortgage loans.

B. Troubled Debt Restructuring

Not applicable

- C. Reverse Mortgages
- Not applicable
- D. Loan-Backed Securities
- Not applicable
- E. Repurchase Agreements
- Not applicable
- F. Write downs for Impairments of Real Estate and Retail Land Sales
- Not applicable
- G. Low Income Housing Tax Credits
- Not applicable

Note 6 - Joint Ventures, Partnership and Limited Liability Companies

- A. Detail for Those Greater than 10% of Admitted Assets
- Not applicable
- B. Write downs for Impairment of Joint Ventures, Partnerships and LLCs
- Not applicable

Note 7 - Investment Income

- A. Accrued Investment Income
- The Company does not admit investment income due and accrued if amounts are over 90 days past due (180 days for mortgage loans).
- B. Amounts Nonadmitted
- Not applicable

Note 8 - Derivative Instruments

- A. Not applicable

Note 9 - Income Tax

- A. The components of the net deferred tax asset/(liability) at December 31 are as follows:
1.

| | December 31, 2011 | | | December 31, 2010 | | | Change | | |
|--|-------------------|-------------|-------------|-------------------|-------------|-------------|-----------|-------------|------------|
| | Ordinary | Capital | Total | Ordinary | Capital | Total | Ordinary | Capital | Total |
| (a) Gross deferred tax assets | \$1,368,936 | \$0 | \$1,368,936 | \$1,286,985 | \$100,948 | \$1,387,933 | \$81,951 | (\$100,948) | (\$18,997) |
| (b) Statutory valuation allowance adjustment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (c) Adjusted gross deferred tax assets | 1,368,936 | 0 | 1,368,936 | 1,286,985 | 100,948 | 1,334,903 | 81,951 | (100,948) | (18,997) |
| (d) Deferred tax liabilities | 8,611 | 186,431 | 195,042 | 17,774 | 217,148 | 234,922 | (9,163) | (30,717) | (39,880) |
| (e) Net deferred tax assets | 1,360,325 | (186,431) | 1,173,894 | 1,269,211 | (116,200) | 1,153,011 | 91,114 | (70,231) | 20,883 |
| (f) Deferred tax assets nonadmitted | 114,967 | 0 | 114,967 | 209,625 | 0 | 209,625 | (94,658) | 0 | (94,658) |
| (g) Net admitted deferred tax asset | \$1,245,358 | (\$186,431) | \$1,058,927 | \$1,059,586 | (\$116,200) | \$943,386 | \$185,772 | (\$70,231) | \$115,541 |

2. The Company has not elected not to admit additional DTAs pursuant to SSAP 10R, paragraph 10e for the reporting period ended December 31, 2011. The current period election does not differ from the prior year-end
3. Not applicable

4.

| | 2011 | | | 2010 | | | Change | | |
|---|-------------|---------|-------------|-------------|-----------|-------------|-----------|-------------|-----------|
| SSAP 10R, paragraphs 10.a., 10.b., and 10.c.: | Ordinary | Capital | Total | Ordinary | Capital | Total | Ordinary | Capital | Total |
| (a) Paragraph 10.a. | (\$149,476) | \$0 | (\$149,476) | (\$401,133) | \$100,948 | (\$300,185) | \$251,657 | (\$100,948) | \$150,709 |
| (b) Paragraph 10.b. | 1,208,401 | 0 | 1,208,401 | 1,243,570 | 0 | 1,243,570 | (35,169) | 0 | (35,169) |
| (c) Paragraph 10.b.i | 1,208,401 | 0 | 1,208,401 | 1,243,570 | 0 | 1,243,570 | (35,169) | 0 | (35,169) |
| (d) Paragraph 10.b.ii | XXX | XXX | 1,367,707 | XXX | XXX | 1,243,570 | XXX | XXX | 124,137 |
| (e) Paragraph 10.c. | 195,044 | 0 | 195,044 | 234,921 | | 234,921 | (39,877) | 0 | (39,877) |
| (f) Total (4a+4b+4e) | 1,253,969 | 0 | 1,253,969 | 1,077,358 | 100,948 | 1,178,306 | 176,611 | (100,948) | 75,663 |
| SSAP 10R, paragraph 10.e.: | | | | | | | | | |
| (g) Paragraph 10e.i. | | | | | | | 0 | 0 | 0 |
| (h) Paragraph 10e.ii. | | | | | | | 0 | 0 | 0 |
| (i) Paragraph 10e.ii.a. | | | | | | | 0 | 0 | 0 |
| (j) Paragraph 10e.ii.b. | XXX | XXX | | XXX | XXX | | XXX | XXX | 0 |
| (k) Paragraph 10e.iii | | | | | | | 0 | 0 | 0 |
| (l) Total (4g+4h+4k) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SSAP 10R, Paragraph 10.d.: | | | | | | | | | |
| (m) Total adjusted capital | XXX | XXX | 0 | XXX | XXX | 0 | XXX | XXX | 0 |
| (n) Authorized control level | XXX | XXX | 0 | XXX | XXX | 0 | XXX | XXX | 0 |

5.

| | December 31, 2011 | | | December 31, 2010 | | | Change | | |
|--|-------------------|---------|---------|-------------------|---------|-------|----------|---------|--------|
| | Ordinary | Capital | Total % | Ordinary | Capital | Total | Ordinary | Capital | Total |
| Impact of Tax Planning Strategies | | | | | | | | | |
| (a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs) | 0.0% | 0.0% | 0.0% | 0.0% | 7.3% | 7.3% | 0.0% | -7.3% | -7.3% |
| (b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs) | 0.0% | 0.0% | 0.0% | 0.0% | 10.7% | 10.7% | 0.0% | -10.7% | -10.7% |

6.

| | December 31, 2011 | | | December 31, 2010 | | | Change | | |
|---|-------------------|-------------|-------------|-------------------|-------------|------------|-----------|------------|-----------|
| | Ordinary | Capital | Total | Ordinary | Capital | Total | Ordinary | Capital | Total |
| SSAP 10R, paragraphs 10.a., 10.b., and 10.c.: | | | | | | | | | |
| (a) Admitted deferred tax assets | \$1,245,358 | (\$186,431) | \$1,058,927 | \$1,059,586 | (\$116,200) | \$943,386 | \$185,772 | (\$70,231) | \$115,541 |
| (b) Admitted assets | XXX | XXX | 901,155 | XXX | XXX | 830,275 | XXX | XXX | 70,880 |
| (c) Adjusted statutory surplus | XXX | XXX | 13,677,067 | XXX | XXX | 12,435,704 | XXX | XXX | 1,241,363 |
| (d) Total adjusted capital from DTAs | XXX | XXX | 1,058,927 | XXX | XXX | 943,386 | XXX | XXX | 115,541 |
| SSAP 10R, paragraphs 10.e. | | | | | | | | | |
| (e) Admitted deferred tax assets | | | | | | | | | |
| (f) Admitted assets | | | | | | | | | |
| (g) Statutory surplus | | | | | | | | | |

B. Unrecognized DTLs

Not applicable

C. Current Tax and Change in Deferred Tax

1. Current income tax:

| | 2011 | 2010 | Change |
|--|---------|-----------|---------|
| (a) Federal | 431,254 | (247,300) | 678,554 |
| (b) Foreign | | | |
| (c) Subtotal | 431,254 | (247,300) | 678,554 |
| (d) Federal income tax on net capital gains | 74,600 | (3,400) | 78,000 |
| (e) Utilization of capital loss carryforwars | 0 | 0 | 0 |
| (f) Other | 0 | 0 | 0 |
| Federal and foreign income taxes incurred | 505,854 | (250,700) | 756,554 |

2. Deferred tax assets:

| | 2011 | 2010 | Change |
|---|-----------|-----------|-----------|
| (a) Ordinary: | | | |
| (1) Discounting of unpaid losses | 139,808 | 173,370 | (33,562) |
| (2) Unearned premium reserve | 962,960 | 960,486 | 2,474 |
| (3) Policyholder reserves | 0 | 0 | 0 |
| (4) Investments | 0 | 0 | 0 |
| (5) Deferred acquisition costs | 0 | 0 | 0 |
| (6) Policyholder dividends accrual | 0 | 0 | 0 |
| (7) Fixed assets | 0 | 0 | 0 |
| (8) Compensation and benefits accrual | 0 | 0 | 0 |
| (9) Pension accrual | 0 | 0 | 0 |
| (10) Receivables - nonadmitted | 0 | 0 | 0 |
| (11) Net operating loss carry-forward | 0 | 109,912 | (109,912) |
| (12) Tax credit carry-forward | 47,432 | 0 | 47,432 |
| (13) Other (including items <5% of total ordinary tax assets) | 142,010 | 7,404 | 134,606 |
| (14) Other assets – nonadmitted | 76,726 | 35,813 | 40,913 |
| (99) Subtotal | 1,368,936 | 1,286,985 | 81,951 |
| (b) Statutory valuation allowance adjustment | 0 | 0 | 0 |
| (c) Nonadmitted | 114,967 | 209,625 | (94,658) |
| (d) Admitted ordinary deferred tax assets (2a99-2b-2c) | 1,253,969 | 1,077,360 | 176,609 |
| (e) Capital | | | |
| (1) Investments | 0 | 100,946 | (100,946) |
| (2) Net capital loss carry-forward | | | 0 |
| (3) Real estate | 0 | 0 | 0 |
| (4) Other (including items <5% of total capital tax assets) | 0 | 0 | 0 |
| (99) Subtotal | 0 | 100,946 | (100,946) |
| (f) Statutory valuation allowance adjustment | 0 | 0 | 0 |
| (g) Nonadmitted | 0 | 0 | 0 |
| (h) Admitted capital deferred tax assets (2e99-2f-2g) | 0 | 100,946 | (100,946) |
| (i) Admitted deferred tax assets (2d+2h) | 1,253,969 | 1,178,306 | 75,663 |

3. Deferred tax liabilities:

| | 2011 | 2010 | Change |
|--|---------|---------|----------|
| (a) Ordinary: | | | |
| (1) Investments | 0 | 0 | 0 |
| (2) Fixed assets | 1,531 | 10,803 | (9,272) |
| (3) Deferred and uncollected premiums | 0 | 0 | 0 |
| (4) Policyholder reserves | 0 | 0 | 0 |
| (5) Other (including items <5% of total ordinary tax assets) | 0 | 0 | 0 |
| (6) Additional acquisition costs-installment premiums | 0 | 0 | 0 |
| (7) Discount of accrued salvage and subrogation | 7,080 | 6,972 | 108 |
| (8) Guaranty funds receivable | 0 | 0 | 0 |
| (99) Subtotal | 8,611 | 17,775 | (9,164) |
| (b) Capital | | | |
| (1) Investments | 186,431 | 217,145 | (30,714) |
| (2) Real estate | 0 | 0 | 0 |
| (3) Other (including items <5% of total capital tax assets) | 0 | 0 | 0 |
| (99) Subtotal | 186,431 | 217,145 | (30,714) |
| (c) Deferred tax liabilities (3a99+3b99) | 195,042 | 234,920 | (39,878) |

4. Net deferred tax assets/liabilities (2i-3c)

1,058,927

943,386

115,541

D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate

The significant items causing a difference between the statutory federal income tax rate and Company's effective income tax rate are as follows:

| | December 31, 2011 | Effective Tax Rate |
|---|----------------------|-----------------------|
| Provision computed at statutory rate | \$936,425 | 34.0% |
| Net reserves | (32,604) | -1.2% |
| Tax exempt income deduction | (111,147) | -4.0% |
| Dividends received deduction | (64,041) | -2.3% |
| Capital loss | (94,829) | -3.4% |
| Contributions | (12,192) | -0.4% |
| Proration of tax exempt investment income | 42,609 | 1.5% |
| Nondeductible Expenses | 31,707 | 1.2% |
| Disallowed travel and entertainment | 4,058 | 0.2% |
| Net operating loss | (541,891) | -19.7% |
| Change in premium adjustments | 2,400 | 0.1% |
| Other | 2,185 | 0.1% |
| Totals | \$162,680 | 6.1% |
| Federal and foreign income taxes incurred | \$431,254 | 15.7% |
| Realized capital gains (losses) tax | 74,600 | 2.7% |
| Change in net deferred income taxes | 6,366 | .2% |
| | \$512,220 | 18.6% |

E. Operating Loss and Tax Credit Carryforwards

1. At December 31, 2011, the Company did not have any unused operating loss carryforwards available to offset against future taxable income.
2. The following is income tax expense for 2011 and 2010 that is available for recoupment in the event of future net losses:

| | |
|------|--------------|
| 2011 | \$ 162,680 |
| 2010 | \$ (295,742) |

F. Consolidated Federal Income Tax Return

Not applicable

Note 10 – Information Concerning Parent, Subsidiaries, Affiliates

A. Nature of Relationships

On July 1, 2009 Wayne Mutual Insurance Company affiliated with Washington Mutual Insurance Association of Lakeville, Ohio. The terms and conditions of that affiliation are contained in Form A and its exhibits, filed with the Ohio Department of Insurance on April 22, 2009, and the order of the Superintendent of the Ohio Department of Insurance dated July 1, 2009.

The Company pays commission to, and has other transactions with, its wholly-owned subsidiary, Wayne Insurance Agency, Inc. a non-insurance company. All transactions are deemed to be immaterial.

B. Detail of Transactions Greater than ½% of Admitted Assets

The Company assumed net earned premiums of \$6,913,896, net losses of \$3,549,749, assumed adjusting expenses of \$159,328, unearned premiums of \$3,360,973 and paid ceding commission of \$1,747,449 from the above agreement with Washington Mutual Insurance Association in 2011. The Company assumed net earned premiums of \$5,524,802, net losses of \$5,423,448, assumed adjusting expenses of \$284,610, unearned premiums of \$4,077.373 and paid ceding commission of \$1,531,101 from above agreement with Washington Mutual Insurance Association in 2010.

C. Change in Terms of Intercompany Arrangements

Not applicable

D. Amounts Due to or from Related Parties

The Company reported \$153,747 due in 2011 and \$196,380 owed in 2010 from affiliate Washington Mutual Insurance Association in the current year. These arrangements are subject to written agreements which require that the balances be settled within 45 days

E. Guarantees or Undertakings for Related Parties

Not applicable (see Note 14A)

F. Management, Service Contracts, Cost Sharing Arrangements

The Company has agreed to provide certain management services to its wholly-owned subsidiary.

G. Nature of Relationships that Could Affect Operations

Not applicable

H. Amount Deducted for Investment in Upstream Company

Not applicable

I. Detail of Investments in Affiliates Greater than 10% of Admitted Assets

Not applicable

J. Writedowns for Impairment of Investments in Affiliates

Not applicable

K. Foreign Subsidiary Valued Using CARVM

Not applicable

L. Downstream Holding Company Valued Using Look-Through Method

Not applicable

Note 11 – Debt

A. Debt consists of the following obligations as of the end of the current year

Not applicable

B. Funding Agreements with Federal Home Loan Bank (FHLB)

Not applicable

Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

A. Defined Benefit Plans

Not applicable

B. Defined Contribution Plans

The Company has a voluntary 401k Plan covering substantially all employees. The Company paid administrative expenses and made a contribution of a percentage of employee wages to the plan of 0% at December 31, 2011 and 0% at December 31, 2010. The plan had a total of \$59,831 and \$64,305 in employer contributions for December 31, 2011 and December 31, 2010.

A. Multiemployer Plans

Not applicable

B. Consolidated / Holding Company Plans

Not applicable

C. Postemployment Benefits and Compensated Absences

Not applicable

F. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17)

Not applicable

Note 13 - Capital & Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

A. Outstanding Shares

Not applicable

B. Dividend Rate of Preferred Stock

Not applicable

C, D and E. Dividend Restrictions

Not applicable

D. Restrictions on Unassigned Funds

Not applicable

E. Mutual Surplus Advances

Not applicable

F. Company Stock Held for Special Purposes

Not applicable

G. Changes in Special Surplus Funds

Not applicable

H. Changes in Unassigned Funds

Not applicable

I. Surplus Notes

Not applicable

L and M. Quasi Reorganizations

Not applicable

Note 14 – Contingencies

A. Contingent Commitments

Not applicable

B. Guaranty Fund and Other Assessments

The Company is subject to guaranty fund and other assessments by the states in which it writes business. Most assessments are recorded either at the time of the assessment are levied.

C. Gain Contingencies

Not applicable

D. Extra Contractual Obligation and Bad Faith Losses

Not applicable

E. Product Warranties

Not applicable

F. Other Contingencies

Various lawsuits against the Company have arisen in the course of the Company's business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company.

Note 15 – Leases

A. Lessee Leasing Arrangements

Not applicable

B. Lessor Leasing Arrangements

Not applicable

Note 16 - Information About Financial Instruments with Off-Balance Sheet Risk and with Concentrations of Credit Risk

A. Face or Contract Amounts

Not applicable

B. Nature and Terms

Not applicable

C. Exposure to Credit-Related Losses

Not applicable

D. Collateral Policy

Not applicable

Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

A. Transfers of Receivables Reported Sale

Not applicable

B. Transfers and Servicing of Financial Assets

Not applicable

C. Wash Sales

Not applicable

Note 18 - Gain or Loss from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASO) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

A. Not applicable

Note 20 Fair Value Measurements

A. Inputs Used for Assets and Liabilities Measured at Fair Value

1. Fair Value Measurements by Level 1, 2, and 3

The Company has categorized its assets and liabilities that are measured at fair value into the three-level fair value hierarchy as reflected in the table below. The three-level value hierarchy is based on the degree of subjectivity inherent in the valuation method by which fair value was determined. The three levels are defined as follows.

Level 1- Quoted Prices in Active Markets for Identical Assets and Liabilities: This category, for items measured at fair value on a recurring basis, including exchange-traded preferred and common stocks. It also includes derivative liabilities for written call options on common stock which are also exchanged traded. The estimated fair value of the equity securities and derivatives within this category are based on quoted prices in active markets and are thus classified as Level 1.

Level 2- Significant Other Observable Inputs: This category for items measured at fair value on a recurring basis includes bonds, preferred stocks and common stocks which are not exchange-traded. The estimated fair values of some of these items were determined by independent pricing services using observable inputs. Other were based on quotes from markets which were not considered actively traded.

Level 3 – Significant Unobservable Inputs: The Company has no assets or liabilities measured at fair value in this category.

The following table provides information as of December 31, 2011 about the Company's financial assets measured at fair value on a recurring basis:

| | Quoted prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level II) | Significant Unobservable Inputs (Level III) | Total at December 31, 2011 |
|------------------|---|---|--|----------------------------------|
| Bonds | \$ 53,607 | \$ | \$ | \$ 53,607 |
| Common stocks | 6,340,727 | 97,773 | | 6,438,500 |
| Preferred stocks | 135,200 | | | 135,200 |
| Total | <u>\$ 6,529,534</u> | <u>\$ 97,773</u> | <u>\$</u> | <u>\$ 6,627,307</u> |

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred between Levels 1 and 2. This policy also applies to transfers into or out of Level 3 as stated in paragraph 3 below.

2. Rollforward of Level 3 Items

The Company has no assets or liabilities measured at fair value in the Level 3 category.

3. Policy on Transfers Into and Out of Level 3

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred into or out of Level 3. During the current year, no transfers into or out of Level 3 were required.

4. Inputs and Techniques Used for Level 2 and Level 3 Far Values

The Company has no assets or liabilities measured at fair value in the Level 3 category.

Common stock carried at fair value categorized as Level 2 were valued using a market approach. These valuations were determined to be Level 2 valuations because quoted market prices for identical instruments trading in an inactive market were utilized. When an equity instrument is illiquid due to limited trading activity, the use of quoted markets for identical instruments was determined by the Company to be the most reliable method to determine fair value.

5. Derivative Fair Values

Not applicable

B Other Fair Value Disclosure

Not applicable

A. Reasons Not Practical to Estimate Fair Values

Not applicable

Note 21 - Other items

A. Extraordinary Items

Not applicable

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

Not applicable

D. Uncollectible Premiums Receivable

Not applicable

E. Business Interruption Insurance Recoveries

Not applicable

F. State Transferable and Non-transferable Tax Credits

Not applicable

H. Subprime Mortgage Related Risk Exposure

The Company invests in several asset classes that could potentially be adversely affected by subprime mortgage exposure. These investments include bond and equity investments in financial institutions. The company believes that its greatest exposure is to unrealized losses from declines in asset values versus realized losses resulting from defaults or foreclosures. All bonds held that were issued by financial institutions participating in subprime lending activities are investment grade quality. Default risk on these bonds appears minimal at this time. The impact on these investments should the subprime credit crisis worsen cannot be assessed at this time. Asset values for unaffiliated equity securities issued by financial institutions have declined substantially over the last six months. These reduced asset values have been reflected in the financial statement. Conservative lending and investment practices limit the company's exposure to such losses.

Note 22 - Events Subsequent

A. Subsequent events have been considered through February 16, 2012 foe these statutory financial statements which are to issued February 27, 2012. There are no events occurring subsequent to the end of the year that merited recognition or disclosure in these statements.

Note 23 - Reinsurance

A. Unsecured Reinsurance Recoverables

Not applicable

B. Reinsurance Recoverables in Dispute

Not applicable

C. Reinsurance Assumed and Ceded and Protected Cells

| | ASSUMED REINSURANCE | | CEDED REINSURANCE NET | | | |
|--|------------------------|----------------------|--------------------------|--------------------------|------------------------|--------------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| | Premium Reserve | Commission Equity | Premium Reserve | Commissio n Equity | Premiu m Reserve | Commissio n Equity |
| C.1.a. Affiliates | 3,360,973 | 1,747,449 | | | | |
| C.1. b. All Other | | | | | | |
| C.1.c. Total | 3,360,973 | 1,747,449 | | | | |
| C.1.d. Direct Unearned Premium reserve | | | 13,618,992 | | | |

D. Uncollectible Reinsurance

Not applicable

E. Commutation of Ceded Reinsurance

Not applicable

F. Retroactive Reinsurance

Not applicable

G. Reinsurance Accounted for as a Deposit

Not applicable

H. Run-off Agreements

Not applicable

Note 24 - Retrospectively Rated Contracts & Contracts Subject to Redetermination

A. Method Used to Estimate

Not applicable

B. Method Used to Record

Not applicable

C. Amount and Percent of Net Retrospective Premiums

Not applicable

D. Medical Loss Ratio Rebates

Not applicable

E. Calculation on Nonadmitted Accrued Retrospective Premiums

Not applicable

Note 25 - Change in Incurred Losses and Loss Adjustment Expenses

| | | |
|--|---|--------------------------|
| 6. | Activity in the liability for unpaid claims and claim adjustment expenses is summarized as follows as of: | |
| | <u>December 31, 2011</u> | <u>December 31, 2010</u> |
| Total net loss and loss adjustment expenses at beginning of year | \$ 6,495,730 | \$ 6,631,650 |
| Amount incurred in current year: | | |
| On current year losses | 20,040,000 | 19,753,000 |
| On prior years losses | (1,885,684) | (3,234,310) |
| Total incurred | <u>18,154,316</u> | <u>16,518,690</u> |
| Amount paid in current year: | | |
| On current year losses | (16,112,000) | (14,998,000) |
| On prior years losses | <u>(3,223,330)</u> | <u>(1,656,610)</u> |
| Total paid | <u>(19,335,330)</u> | <u>(16,654,610)</u> |
| Total net loss and loss adjustment expenses at end of year | \$ 5,314,716 ===== | \$ 6,495,730 ===== |

Reserves for incurred loss and loss adjustment expenses attributable to insured events of prior years has decreased by \$1,885,684 from December 31, 2010 to December 31, 2011 as a result of re-estimation of unpaid losses and loss adjustment expenses. The change is generally the result of ongoing analysis of recent loss development trends. The Company has also increased it's over all IBNR by \$120,000 for 2011 and \$-0- for 2010. Original estimates are increased or decreased as additional information becomes known regarding individual losses.

Note 26 - Intercompany Pooling Arrangements

A. Not applicable

Note 27 - Structured Settlements

A. Reserves Released due to Purchase of Annuities

Not applicable

B. Annuity Insurers with Balances due Greater than 1% of Policyholders' Surplus

Not applicable

Note 28 - Health Care Receivables

A. and B. Not applicable

Note 29 - Participating Accident and Health Policies

A. Not applicable

Note 30 - Premium Deficiency Reserves

A. The Company evaluated the need to record a premium deficiency reserve as of the end of the current year. This evaluation was completed on February 10, 2012. No reserve has been recorded for the current year. The Company does not anticipate investment income when evaluating the need for premium deficiency reserves.

Note 31 - High Deductibles

A. Not applicable

Note 32 - Discounting of Liabilities for Unpaid Loss and Unpaid Loss Adjustment Expenses

A. Tabular Discounts

Not applicable

B. Non-Tabular Discounts

Not applicable

C. Changes in Discount Assumptions

Not applicable

Note 33 – Asbestos and Environmental Reserves

A. Five-Year Rollforward of Asbestos Reserves, Gross and Net

Not applicable

B. Ending Reserves for Asbestos Claims for Bulk and IBNR Losses and LAE Included in A above

Not applicable

C. Ending Reserves for Asbestos Claims for LAE Included in A above

Not applicable

D. Five-Year Rollforward of Environmental Reserves, Gross and Net

Not applicable

E. Ending Reserves for Environmental Claims for Bulk and IBNR Losses and LAE In D above:

Not applicable

F. Ending Reserves for Environmental Claims for LAE Included in D above (Case, Bulk and IBNR)

Not applicable

Note 34 - Subscriber Savings Accounts

A. Not applicable

Note 35 - Multiple Peril Crop Insurance

A. Not applicable

Note 36 – Financial Guaranty Insurance

A. and B. Not applicable