
AMENDED FILING EXPLANATION

The Company's Notes to Financial Statements have been amended to correct Note 23F - Reinsurance: Retroactive Reinsurance and Note 30 Premium Deficiency Reserve at the request of the Ohio Department of Insurance due to incomplete disclosures. The data previously disclosed in the Notes was correct and this amendment is only adding to the previous disclosure.



ANNUAL STATEMENT

For the Year Ended December 31, 2011

of the Condition and Affairs of the

STATE AUTOMOBILE MUTUAL INSURANCE COMPANY

NAIC Group Code.....175, 175
(Current Period) (Prior Period)

NAIC Company Code..... 25135

Employer's ID Number..... 31-4316080

Organized under the Laws of OHIO

State of Domicile or Port of Entry OHIO

Country of Domicile US

Incorporated/Organized..... August 15, 1921

Commenced Business..... September 1, 1921

Statutory Home Office

518 EAST BROAD STREET..... COLUMBUS OH 43215
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office

518 EAST BROAD STREET..... COLUMBUS OH 43215
(Street and Number) (City or Town, State and Zip Code)

614-464-5000

(Area Code) (Telephone Number)

Mail Address

518 EAST BROAD STREET..... COLUMBUS OH 43215
(Street and Number or P. O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records

518 EAST BROAD STREET..... COLUMBUS OH 43215
(Street and Number) (City or Town, State and Zip Code)

614-464-5000

(Area Code) (Telephone Number)

Internet Web Site Address

STATEAUTO.COM

317-931-7473

Statutory Statement Contact

TINA MARIE STILLABOWER

(Area Code) (Telephone Number) (Extension)

(Name)

corporateaccounting@stateauto.com

317-931-6558

(E-Mail Address)

(Fax Number)

OFFICERS

Name	Title
1. ROBERT PAUL RESTREPO, JR.	PRESIDENT
3. CYNTHIA ANN POWELL	TREASURER

Name	Title
PRESIDENT	
TREASURER	

Name	Title
2. JAMES ANDREW YANO	
4.	

Name	Title
	SECRETARY

Name	Title
CLYDE HOWARD FITCH, JR.	SENIOR VICE PRESIDENT
JOEL EDWARD BROWN	VICE PRESIDENT
JOYCE ANN DALLESSIO #	VICE PRESIDENT
JAMES ELIAS DUEMEY	VICE PRESIDENT
STEVEN EUGENE ENGLISH	VICE PRESIDENT
RICKY LEE HOLBEIN	VICE PRESIDENT
STEPHEN PETER HUNCKLER	VICE PRESIDENT
CATHY BERNATH MILEY	VICE PRESIDENT
PAUL EDWARD NORDMAN	VICE PRESIDENT
TIMOTHY GERARD REIK #	VICE PRESIDENT
LYLE DEAN RHODEBECK	VICE PRESIDENT
LARRY EMMETT WILLEFORD	VICE PRESIDENT

Name	Title
SENIOR VICE PRESIDENT	
VICE PRESIDENT	
VICE PRESIDENT	
VICE PRESIDENT	
VICE PRESIDENT	
VICE PRESIDENT	
VICE PRESIDENT	
VICE PRESIDENT	
VICE PRESIDENT	
VICE PRESIDENT	
VICE PRESIDENT	

Name	Title
DOUGLAS EDWARD ALLEN	
JESSICA ELIZABETH BUSS #	
DAVID WILLIAM DALTON	
NANCY DUFFEY EDWARDS	
STEVEN RAY HAZELBAKER	
DAVID JOHN HOSLER	
KEITH ROBERT ILER #	
MATTHEW STANLEY MROZEK	
JOHN MICHAEL PETRUCCI	
MARY JEAN REYNOLDS	
LORRAINE MARGARET SIEGWORTH	

Name	Title
	VICE PRESIDENT

DIRECTORS OR TRUSTEES

Name	Title
DENNIS RAY BLANK	
PAUL JOHN OTTE	
EDWIN JESSE SIMCOX	

Name	Title
ALISON COOLBRITH	
ROBERT PAUL RESTREPO, JR.	
DWIGHT ERIC SMITH	

Name	Title
MICHAEL JOSEPH FIORILE	
MARSHA PASQUINELLY RYAN #	
ROGER PHILIP SUGARMAN	

Name	Title
JAMES EDWARD KUNK	
KENAN LEE SCHULTHEIS	

State of..... OHIO
County of..... FRANKLIN

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)
ROBERT PAUL RESTREPO, JR.
1. (Printed Name)
PRESIDENT
(Title)

(Signature)
JAMES ANDREW YANO
2. (Printed Name)
SECRETARY
(Title)

(Signature)
CYNTHIA ANN POWELL
3. (Printed Name)
TREASURER
(Title)

Subscribed and sworn to before me
This 28th day of JUNE 2012

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

Yes [] No [X]

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JUNE 28, 2012
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NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:
A. Accounting Practices:

The accompanying financial statements of State Automobile Mutual Insurance Company (the "Company" or "State Auto Mutual") are presented on the basis of accounting practices prescribed or permitted by the Ohio Department of Insurance (the "Department"), which has adopted the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual (NAIC SAP).

The Company is a member of the State Auto Holding Company System ("State Auto Group") that is defined at Schedule Y – Information Concerning Activities of Insurer Members of a Holding Company Group. See Schedule Y Part 1 – Organizational Chart. The following member companies of the State Auto Group referred to throughout these notes are defined as follows: State Automobile Mutual Insurance Company ("State Auto Mutual"), State Auto Insurance Company of Wisconsin ("SA Wisconsin"), State Auto Financial Corporation ("State Auto Financial"), SA Software Shelf, Inc. ("SA Software"), State Auto Property & Casualty Insurance Company ("State Auto P&C"), Stateco Financial Services, Inc. ("Stateco"), Milbank Insurance Company ("Milbank"), Farmers Casualty Insurance Company ("Farmers"), State Auto Insurance Company of Ohio ("SA Ohio"), Meridian Citizens Mutual Insurance Company ("Meridian Citizens Mutual"), State Auto Florida Insurance Company ("SA Florida"), BroadStreet Capital Partners, Inc. ("BroadStreet Capital"), Meridian Insurance Group, Inc. ("MIGI"), Meridian Security Insurance Company ("Meridian Security"), Beacon National Insurance Company ("Beacon National"), Beacon Lloyds, Inc., a Texas corporation which is the attorney-in-fact for Beacon Lloyds Insurance Company ("Beacon Lloyds"), a Lloyds insurer formed under Texas Insurance Code, Patrons Mutual Insurance Company of Connecticut ("Patrons Mutual"), Litchfield Mutual Fire Insurance Company ("Litchfield"), Rockhill Holding Company ("RHC"), Rockhill Insurance Company ("Rockhill"), Plaza Insurance Company ("Plaza"), American Compensation Insurance Company ("American Compensation"), and Bloomington Compensation Insurance Company ("Bloomington Compensation"). State Auto National Insurance Company ("SA National") was a member of the State Auto Group during 2010. SA National was sold on December 31, 2010, as described in Note 10.

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 as of the date of the financial statements and of revenue and expense for the period then ended. It also requires estimates in the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

C. Accounting Policy:

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 assumed.

Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred.

In addition, the Company uses the following accounting policies:

1. Money market investments are reflected at cost.
2. Bonds not backed by other loans are stated at amortized cost using the scientific interest method.
3. Common stocks, other than investments in stocks of subsidiaries and affiliates, are stated at fair value.
4. Preferred stocks: Not applicable.
5. Mortgage loans: Not applicable.
6. Loan-backed securities are valued at amortized cost using the scientific interest method. The retrospective adjustment method is used to determine the fair value of all loan-backed securities.
7. Investments in subsidiaries and affiliated companies: Insurance subsidiaries, SA Wisconsin and SA Florida, are stated at statutory equity value. Holding company subsidiaries, MIGI and RHC, are admitted to the extent allowed by SSAP No. 97 - *Investments in Subsidiary, Controlled and Affiliated Entities, A Replacement of SSAP No. 88*. A 62.6% publicly owned holding company subsidiary, State Auto Financial, is stated at statutory equity value. Noninsurance subsidiaries, Capital City Intermediaries, Inc. ("Capital City"), Facilitators, Inc. ("Facilitators"), and Risk Evaluation & Design, LLC ("RED"), are admitted to the extent allowed by SSAP No. 97. BroadStreet Capital is stated at GAAP equity value. At December 31, 2011 and 2010, unamortized goodwill was \$125,638,305 and \$125,960,490, respectively, of which, \$58,317,079 and \$50,055,803 was nonadmitted, respectively.
8. The Company has minor ownership interests in partnerships and a trust. The Company carries these interests at the underlying equity of the investee to the extent allowed by SSAP No. 97 - *Investments in Subsidiary, Controlled and Affiliated Entities, A Replacement of SSAP No. 88*.
9. Derivatives: Not applicable.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, except accident and health business, in accordance with SSAP No. 53 - *Property-Casualty Contracts - Premiums*.
11. 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 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 liability 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. Pharmaceutical rebate receivables: Not applicable.

2. Accounting Changes and Corrections of Errors: Not applicable.

3. Business Combinations and Goodwill:
A. Statutory Purchase Method:

1. a. On June 1, 2001, Meridian Mutual Insurance Company ("Meridian Mutual"), an Indiana mutual insurance company, merged with and into the Company (the "Merger"), with the Company continuing as the surviving company. In connection with the Merger, the Company acquired all outstanding shares of MIGI, an Indiana corporation, on the same date. Meridian Security, an Indiana domiciled insurance company, is a direct subsidiary of MIGI. MIGI is also affiliated with Meridian Citizens Mutual, an Indiana domiciled mutual insurance company.
 - b. On February 10, 2009, the Company purchased 100% interest in RHC, a Missouri corporation. RHC writes specialty property and casualty business through four insurance subsidiaries, Rockhill, Plaza, American Compensation and Bloomington Compensation and is a third party administrator providing workers compensation case and claim management services.
 - c. On May 18, 2011, RHC dividdended its 91% ownership in RED, a Missouri limited liability company, to the Company. Concurrent with this transaction, the Company purchased the 9% minority interest in RED.
2. The MIGI, RHC and RED transactions described in Note 3A were accounted for as statutory purchases.
3. a. The cost of the MIGI common shares acquired on June 1, 2001 was \$112,634,681, resulting in goodwill of \$82,142,537.
 - b. The cost of the RHC purchase was \$248,627,800 resulting in goodwill of \$150,178,743, of which \$39,514,264 was nonadmitted at December 31, 2011.
 - c. The cost of the RED purchase was \$25,250,935 resulting in goodwill of \$20,145,874, of which \$18,802,815 was nonadmitted at December 31, 2011.
4. a. Goodwill amortization for the period ended December 31, 2011 relating to the purchase of MIGI was \$4,107,127.
 - b. Goodwill amortization for the period ended December 31, 2011 relating to the purchase of RHC was \$15,017,874.
 - c. Goodwill amortization for the period ended December 31, 2011 relating to the purchase of RED was \$1,343,059.

B. Statutory Merger: Not applicable.

C. Impairment Loss: Not applicable.

4. Discontinued Operations: Not applicable.

5. Investments:
A. Mortgage Loans: Not applicable.

B. Debt Restructuring: Not applicable.

5. Investments (continued):

C. Reverse Mortgages: Not applicable.

D. Loan-Backed Securities:

- Prepayment assumptions for mortgage-backed securities, asset-backed securities and collateralized mortgage obligations were generated using a purchased prepayment model. The prepayment model uses a number of factors to estimate prepayment activity including the time of year (seasonality), current levels of interest rates (refinancing incentive), economic activity (including housing turnover) and term and age of the underlying collateral (burnout, seasoning).
- The Company has not recognized any other than temporary impairments on its loan-backed securities.
- The Company has not recognized any other than temporary impairments on its loan-backed securities.
- The Company has loan-backed securities in which the fair value is less than cost or amortized cost for which an other than temporary impairment has not been recognized.

	Amount (\$)			
	Less than 12 months		More than 12 months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Loan-backed securities:				
Pools	452,418	(1,316)	-	-
Commercial mortgage-backed securities	-	-	-	-
Asset-backed securities	-	-	-	-
Total loan-backed securities	452,418	(1,316)	-	-

- The Company regularly reviews its investment portfolio for factors that may indicate that a decline in fair value of an investment is other than temporary. The Company considers various factors, such as the duration and extent the security has been below cost, underlying credit rating of the issuer, receipt of scheduled principal and interest cash flows, and the Company's ability and intent to hold the security until recovery.

E. Repurchase Agreements: Not applicable.

F. Real Estate: Not applicable.

G. Low Income Housing Tax Credits: Not applicable.

6. Joint Ventures, Partnerships and Limited Liability Companies:

A. The Company has no investments in Joint Ventures, Partnerships and Limited Liability Companies that exceed 10% of its Admitted Assets.

B. Impairments: Not applicable.

7. Investment Income:

A. Accrued Investment Income: The Company nonadmits investment income due and accrued if amounts are over 90 days past due.

B. Amounts Nonadmitted: Not applicable.

8. Derivative Instruments: Not applicable

Warrants – The Company received warrants as a dividend from its ownership of Magnum Hunter Resources Corporation common stock via the Company's outside small cap investment strategies. The Company does not have an investment purpose for the warrants. At December 31, 2011 the warrants did not have a fair market value.

A. Market Risk, Credit Risk, and Cash Requirements: Not applicable.

B. Objective For Use: Not applicable.

C. Accounting Policies: Not applicable.

D. Unrealized Gain or Loss Recognized – Excluded from Hedge Effectiveness: Not applicable.

E. Unrealized Gain or Loss Recognized – Non-Hedge Accounting: Not applicable.

F. Cash Flow Hedges of a Forecasted Transaction: Not applicable.

9. Income Taxes:

A. The components of the net deferred tax asset/(liability) at December 31, 2011 and 2010 are as follows:

1.	Amount (\$)								
	2011			2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
a. Gross deferred tax assets	62,211,683	504,099	62,715,782	29,355,191	216,691	29,571,882	32,856,492	287,408	33,143,900
b. Statutory valuation allowance adjustment	59,641,949	504,099	60,146,048	-	-	-	59,641,949	504,099	60,146,048
c. Adjusted gross deferred tax assets	2,569,734	-	2,569,734	29,355,191	216,691	29,571,882	(26,785,457)	(216,691)	(27,002,148)
d. Deferred tax liabilities	478,753	2,090,981	2,569,734	191,383	2,646,676	2,838,059	287,370	(555,695)	(268,325)
e. Subtotal (net deferred tax assets/(liability))	2,090,981	(2,090,981)	-	29,163,808	(2,429,985)	26,733,823	(27,072,827)	339,004	(26,733,823)
f. Deferred tax assets nonadmitted	2,090,981	(2,090,981)	-	12,809,837	(2,446,948)	10,362,889	(10,718,856)	355,967	(10,362,889)
g. Net admitted deferred tax assets/(liability)	-	-	-	16,353,971	16,963	16,370,934	(16,353,971)	(16,963)	(16,370,934)

- The Company has not elected to admit additional DTA's pursuant to SSAP 10R, paragraph e. The current period election does not differ from the prior reporting period.

- Not applicable.

9. Income Taxes (continued):

4.	Amount (\$)								
	2011			2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admission calculation components									
SSAP No. 10R, paragraphs 10.a., 10.b., and 10.c.:									
a. SSAP No. 10R, paragraph 10.a.	-	-	-	-	-	-	-	-	-
b. SSAP No. 10R, paragraph 10.b.	-	-	-	16,353,970	16,964	16,370,934	(16,353,970)	(16,964)	(16,370,934)
c. SSAP No. 10R, paragraph 10.b.i.	-	-	-	16,353,970	16,964	16,370,934	(16,353,970)	(16,964)	(16,370,934)
d. SSAP No. 10R, paragraph 10.b.ii.	NA	NA	65,461,499	NA	NA	75,904,687	NA	NA	(10,443,188)
e. SSAP No. 10R, paragraph 10.c.	478,753	2,090,981	2,569,734	191,384	2,646,675	2,838,059	287,369	(555,694)	(268,325)
f. Total	478,753	2,090,981	2,569,734	16,545,354	2,663,639	19,208,993	(16,066,601)	(572,658)	(16,639,259)
Admission calculation components:									
SSAP No. 10R, paragraph 10.e.:									
g. SSAP No. 10R, paragraph 10.e.i.	-	-	-	-	-	-	-	-	-
h. SSAP No. 10R, paragraph 10.e.ii.	-	-	-	-	-	-	-	-	-
i. SSAP No. 10R, paragraph 10.e.ii.a.	-	-	-	-	-	-	-	-	-
j. SSAP No. 10R, paragraph 10.e.ii.b.	NA	NA	-	NA	NA	-	NA	NA	-
k. SSAP No. 10R, paragraph 10.e.iii.	-	-	-	-	-	-	-	-	-
l. Total	-	-	-	-	-	-	-	-	-
Used in SSAP No. 10R, paragraph 10.d.									
m. Total adjusted capital	NA	NA	785,493,605	NA	NA	1,033,349,418	NA	NA	(247,855,813)
n. Authorized control level	NA	NA	131,512,388	NA	NA	126,371,789	NA	NA	5,140,599

5. Impact of Tax Planning Strategies: Not applicable.

6.	Amount (\$)								
	2011			2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
SSAP No. 10R, paragraph 10.a., 10b., and 10.c.:									
a. Admitted deferred tax assets	478,753	2,090,981	2,569,734	16,545,354	2,663,639	19,208,993	(16,066,601)	(572,658)	(16,639,259)
b. Admitted assets	NA	NA	2,156,907,267	NA	NA	1,689,720,983	NA	NA	467,186,284
c. Adjusted statutory surplus*	NA	NA	654,614,990	NA	NA	759,046,870	NA	NA	(104,431,880)
d. Total adjusted capital from DTAs	NA	NA	-	NA	NA	16,370,934	NA	NA	(16,370,934)
e. Admitted deferred tax assets	-	-	-	-	-	-	-	-	-
f. Admitted assets	-	-	-	-	-	-	-	-	-
g. Statutory surplus	-	-	-	-	-	-	-	-	-

* As reported on the statutory balance sheet for the most recently filed statement with the domiciliary state commissioner adjusted in accordance with SSAP No. 10R, Paragraph 10bii.

B. Unrecognized Deferred Tax Liabilities: None.

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

1. Current Income Tax	Amount (\$)		
	(1)	(2)	(3)
	2011	2010	Change
a. Federal	(4,484,038)	(2,322,359)	(2,161,679)
b. Foreign	-	-	-
c. Subtotal	(4,484,038)	(2,322,359)	(2,161,679)
d. Federal Income tax on net capital gains	(1,216,387)	(225,476)	(990,911)
e. Utilization of capital loss carry-forwards	-	-	-
f. Other	-	-	-
g. Federal and foreign income taxes incurred	(5,700,425)	(2,547,835)	(3,152,590)

2. Deferred Tax Assets	Amount (\$)		
	(1)	(2)	(3)
	2011	2010	Change
a. Ordinary			
1. Discounting of unpaid losses	13,302,687	6,082,106	7,220,581
2. Unearned premium reserve	16,946,018	10,091,339	6,854,679
3. Policyholder reserves	-	-	-
4. Investments	-	-	-
5. Deferred acquisition costs	-	-	-
6. Policyholder dividends accrual	-	-	-
7. Fixed Assets	-	-	-
8. Compensation & benefits accrual	12,738,013	10,865,352	1,872,661
9. Pension accrual	8,487,194	-	8,487,194
10. Receivables - nonadmitted	-	-	-
11. Net operating loss carry-forward	8,416,869	-	8,416,869
12. Tax credit carry-forward	41,804	7,537	34,267
13. Other	2,279,098	2,308,857	(29,759)
Subtotal	62,211,683	29,355,191	32,856,492
b. Statutory valuation allowance adjustment	59,641,949	-	59,641,949
c. Nonadmitted	2,090,981	12,809,837	(10,718,856)
d. Admitted ordinary deferred tax assets	478,753	16,545,354	(16,066,601)
e. Capital:			
1. Investments	504,099	216,691	287,408
2. Net capital loss carry-forward	-	-	-
3. Real estate	-	-	-
4. Other	-	-	-
Subtotal	504,099	216,691	287,408
f. Statutory valuation allowance adjustment	504,099	-	504,099
g. Nonadmitted	(2,090,981)	(2,446,948)	355,967
h. Admitted capital deferred tax assets	2,090,981	2,663,639	(572,658)
i. Admitted deferred tax assets	2,569,734	19,208,993	(16,639,259)

9. Income Taxes (continued):

3. Deferred Tax Liabilities	Amount (\$)		
	(1) 2011	(2) 2010	(3) Change
a. Ordinary			
1. Investments	7,588	3,956	3,632
2. Fixed assets	-	-	-
3. Deferred and uncollected premium	-	-	-
4. Policyholder reserves	-	-	-
5. Other	266,877	137,643	129,234
6. Salvage & subrogation reserves	204,288	49,784	154,504
Subtotal	478,753	191,383	287,370
b. Capital:			
1. Investments	1,291,501	2,297,879	(1,006,378)
2. Real estate	799,480	348,797	450,683
3. Other	-	-	-
Subtotal	2,090,981	2,646,676	(555,695)
c. Deferred tax liabilities	2,569,734	2,838,059	(268,325)
4. Deferred tax assets/liabilities	-	16,370,934	(16,370,934)

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

The significant book to tax adjustments were as follows:

Description	Amount (\$) Tax Effect @ 35%	Effective Tax Rate
Tax Reconciliation by Effective Rate:		
Income before tax	(16,432,583)	35.0%
Tax exempt interest and dividends received income deduction	(4,395,615)	9.4%
Permanent difference on nonadmitted taxable assets	(4,387,504)	9.3%
STAT minimum pension liability	(8,487,194)	18.1%
Change in valuation allowance	60,146,048	-128.1%
Other	(3,536,650)	7.5%
Total	22,906,502	-48.8%
Tax Reconciliation by Statement of Income:		
Federal & foreign tax incurred	(5,700,425)	12.1%
Current taxes on realized gains	1,216,387	-2.6%
Change in net deferred income taxes	27,390,540	-58.3%
Total	(22,906,502)	-48.8%

E. Operating Loss and Tax Credit Carry-forward:

- At December 31, 2011, the Company had \$24,048,197 of operating loss carry-forwards beginning in 2009 through 2011, which expire, if unused, beginning in 2029 through 2031.
- For 2011 and 2010, there is no income tax expense that is available for recoupment in the event of future net losses.
- Not applicable

F. Consolidated Federal Income Tax Return:

- The Company's federal income tax return is consolidated with the following entities:

State Auto Mutual
SA Wisconsin
SA Florida
State Auto Distribution Holding Company
Capital City Intermediaries, Inc.
Facilitators
BroadStreet Capital and its affiliates
MIGI
Meridian Security
State Auto Holding
Beacon National
Beacon Lloyds, Inc.
Beacon Hill Financial Services
Eagle Development Corporation
Rockhill
Plaza
American Compensation
Bloomington Compensation
RHC
National Environmental Coverage Corp.
National Environmental Coverage Corp. of the South, LLC
RTW, Inc.

- The method of allocation among the companies is subject to a written agreement, approved by the Board of Directors, whereby allocation is made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated tax return.

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties:**A. Nature of the Relationships:**

See Schedule Y - Information Concerning Activities of Insurer Members of a Holding Company Group, Part 1 Organizational Chart.

B. Details of Transactions Greater than 1/2% of Admitted Assets:

On May 19, 2009 and on May 8, 2009, the Company entered into two credit agreements (collectively referred to as "credit agreements") with Milbank and State Auto P&C, respectively. Under the terms of the credit agreements Milbank and State Auto P&C loaned to State Auto Mutual \$20,000,000 and \$50,000,000, respectively, over 10 years for general corporate purposes. Interest is due semi-annually at a fixed annual interest rate of 7%, with the principal due at the maturity date.

The Company received quarterly cash dividend payments throughout the year totaling \$15,170,447 and \$15,179,511 in 2011 and 2010, respectively, from State Auto Financial.

SA National became party to the Pooling Arrangement (defined in Note 26) effective January 1, 2010, and terminated its participation effective December 31, 2010, when it was sold to a third party. Rockhill, Plaza, American Compensation and Bloomington Compensation became party to the Pooling Arrangement effective January 1, 2011. Effective December 31, 2011, the Pooling Arrangement was amended, effectively changing the pooling participation percentages of certain participants and including in the State Auto Pool certain balance sheet accounts related to underwriting expenses. See Note 26 for additional disclosure.

The Company has paid commissions of \$12,517,676 and \$7,282,613 as of December 31, 2011 and 2010, respectively, to RED on the Alternative Risk business.

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties (continued):

During 2011, the Company entered into a reinsurance agreement, separate from the Pooling Arrangement, and assumed a net amount of \$14,452,574 from affiliated companies Rockhill, Plaza, and American Compensation.

C. Change in Terms of Intercompany Agreements:

SA National became party to the Pooling Arrangement (defined in Note 26) effective January 1, 2010, and terminated its participation effective December 31, 2010, when it was sold to a third party. Rockhill, Plaza, American Compensation and Bloomington Compensation became party to the Pooling Arrangement effective January 1, 2011. Effective December 31, 2011, the Pooling Arrangement was amended, effectively changing the pooling participation percentages of certain participants and including in the State Auto Pool certain balance sheet accounts related to underwriting expenses. See Note 26 for additional disclosure.

D. Amounts Due to or from Related Parties:

The Company leases buildings from 518 Property & Management Leasing LLC, an affiliate. Rental payments in the amount of approximately \$1,272,794 will be paid in 2012.

The terms of settlement require that these amounts settle within 60 days after the end of each calendar quarter:

	Amount (\$)			
	December 31, 2011		December 31, 2010	
	Due To:	Due From:	Due To:	Due From:
State Auto P&C	-	193,202,619	-	36,079,950
Milbank	-	64,424,033	-	25,285,543
SA Wisconsin	3,010,842	-	1,858,341	-
Farmers	-	59,878,400	-	3,654,846
SA Ohio	-	16,172,028	4,413,215	-
SA Florida	-	698,564	-	978,679
Meridian Security	9,665,106	-	17,771,268	-
Meridian Citizens Mutual	3,100,052	-	1,714,891	-
Beacon National	-	1,387,752	114,358	-
Beacon Lloyds	-	1,073,768	1,846	-
Patrons Mutual	1,323,880	-	2,105,225	-
Litchfield	233,140	-	-	131,687
Plaza	3,121,545	-	-	924
Rockhill	2,309,856	-	-	26
American Compensation	1,218,560	-	-	-
Bloomington Compensation	277,178	-	-	-
Stateco	-	130,230	15,767	-
Other Affiliates	-	6,226,654	-	3,892,698

E. Guarantees or Contingencies for Related Parties:

The Company has provided a standing commitment to maintain Plaza's capital and surplus requirements as dictated by the State of New Jersey for a minimum of five years beginning July 1, 2011, as outlined in additional detail in Note 14.

F. Management, Service Contracts, Cost Sharing Agreements:

Through contractual agreements with affiliated companies within the State Auto Group, State Auto P&C provides employees, while State Auto Mutual provides data processing and certain other data equipment and facilities as needed.

During 2011 and 2010, the following management and/or cost sharing agreements were effective: 1) the "2005 Management and Operations Agreement" to which State Auto Mutual, State Auto P&C, Milbank, SA Ohio, Farmers, SA National, MIGI, Meridian Security, Meridian Citizens Mutual, SA Florida, Beacon National, Beacon Lloyds, Patrons Mutual, Litchfield, State Auto Financial, SA Software, Stateco, Beacon Lloyds Inc., and 518 Property Management and Leasing LLC are parties; 2) the "Midwest Management Agreement" to which State Auto Mutual, State Auto P&C, and SA Wisconsin are parties; 3) the "BroadStreet Capital Partners, Inc. Cost Sharing Agreement" to which State Auto Mutual, State Auto P&C, and BroadStreet Capital are parties; 4) State Auto Mutual, State Auto P&C, Meridian Security, Meridian Citizens Mutual, Farmers, and Milbank entered into an agreement with RTW, Inc., an affiliate for overall claims case management for the workers' compensation program; 5) State Auto Mutual along with affiliates Rockhill, Plaza, American Compensation, Bloomington Compensation, State Auto P&C, Meridian Security, Milbank and Farmers entered into an Underwriting Management Agreement with RED to act as underwriting manager to underwrite insurance and reinsurance coverages for the alternative risk and program market. Each of the foregoing management and/or cost sharing agreements apportions or apportioned among the parties the actual costs of the services provided. The "Midwest Management Agreement" also provides for a management fee based on a percentage of SA Wisconsin's direct written premiums for the services State Auto P&C provides. As of December 31, 2010, SA National ceased to be affiliated with the State Auto Group and was removed as a party to the "2005 Management and Operations Agreement".

Effective January 1, 2010, State Auto Mutual and State Auto P&C became parties to a management and cost sharing agreement with the following insurance companies: Rockhill, Plaza, American Compensation, Bloomington Compensation, as well as the following companies: RHC, National Environmental Coverage Corporation of the South, LLC, National Environmental Coverage Corporation, RTW, Inc., Rockhill Insurance Services, LLC, Rockhill Underwriting Management, LLC, and RED. Under this agreement, State Auto P&C provides services to supplement the services provided by the companies' own employees and State Auto Mutual provides facilities and equipment as a supplement to the companies' own facilities and equipment. RHC may provide certain services to State Auto Mutual and State Auto P&C. Effective January 1, 2011, this agreement was amended to state that substantially all employee services required by the companies will be provided by employees of State Auto P&C. The amended agreement deleted RED as a party.

Stateco, a wholly owned subsidiary of State Auto Financial, provided investment management services to the Company for a fee based on the average fair value of the investment portfolio of the Company.

G. Nature of Relationships that Could Affect Operations:

The Company is a member of the State Auto Group that is defined at Schedule Y – Information Concerning Activities of Insurer Members of a Holding Company Group. See Schedule Y Part 1 – Organizational Chart.

Effective January 1, 2010, the Company and SA National entered into a Commutation and Release Agreement in connection with SA National being party to the Pooling Arrangement as described in Note 26. This commutation relates to the quota share treaty between the Company and SA National. The Company made a commutation payment of \$133,636 to SA National as full and final settlement of all amounts due under the quota share agreement.

Effective December 31, 2010, State Auto Financial sold all outstanding shares of stock of its wholly owned subsidiary SA National to Hallmark Insurance Company.

H. Amount Deducted for Investment in Upstream Company: Not applicable.**I. Detail of Investments in Affiliates Greater than 10% of Admitted Assets:**

At December 31, 2011, the Company owned 62.6% of the common stock outstanding of State Auto Financial. The aggregate value of the Company's ownership in State Auto Financial, based on the quoted market price at December 31, 2011 of \$13.59 was \$343,416,552. The Company's investment in State Auto Financial has been reflected in the accompanying statutory financial statements at a statutory equity value at December 31, 2011 of \$342,403,212. At December 31, 2011, based on publicly available financial information of State Auto Financial, the Company's share of the underlying equity in net assets of State Auto Financial was \$474,676,048.

At December 31, 2010, the Company owned 63.0% of the common stock outstanding of State Auto Financial. The aggregate value of the Company's ownership in State Auto Financial, based on the quoted market price at December 31, 2010 of \$17.42 was \$440,491,478. The Company's investment in State Auto Financial has been reflected in the accompanying statutory financial statements at a statutory equity value at December 31, 2010 of \$458,407,401. At December 31, 2010, based on publicly available financial information of State Auto Financial, the Company's share of the underlying equity in net assets of State Auto Financial was \$536,625,578.

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties (continued):

Based on publicly available financial information for State Auto Financial, the following provides summarized financial information for the twelve month period ending December 31, 2011 and 2010, respectively:

Description	Amount (\$)	
	December 31, 2011	December 31, 2010
Total assets	2,790,767,238	2,722,029,788
Total liabilities	2,032,498,791	1,870,243,167
Stockholders' equity	758,268,447	851,786,632
Net (loss) income	(146,786,585)	24,479,022

J. Write-down for Impairments of Investments in Subsidiary, Controlled or Affiliated Companies: Not applicable.

K. Investments in Foreign Insurance Subsidiary: Not applicable.

L. Investments in Downstream Noninsurance Company:

The Company utilizes the look-through approach for the valuation of its downstream holding company, MIGI, as provided under SSAP 97 – *Investments in Subsidiary, Controlled, and Affiliated Entities, A Replacement of SSAP No. 88*. The Company's carrying value at December 31, 2011 and 2010 was \$56,816,771 and \$59,711,358, respectively. The Company has limited the value of its investment in MIGI to the value of entities having audited financial statements including adjustments required by SSAP 97. All liabilities, commitments, contingencies, guarantees or obligations of the downstream holding company, which are required to be recorded as liabilities, commitments, contingencies, guarantees, or obligation under applicable accounting guidance, are reflected in the Company's determination of the carrying value of MIGI, if not already recorded in the financial statements. At December 31, 2011 and 2010, the Company's investment in MIGI was held at an admitted value of \$56,551,914 and \$59,448,868, respectively, after nonadmitting \$264,857 and \$262,490, respectively.

The Company utilizes the look-through approach for the valuation of its downstream holding company, RHC, as provided under SSAP 97 – *Investments in Subsidiary, Controlled, and Affiliated Entities, A Replacement of SSAP No. 88*. The Company's carrying value at December 31, 2011 and 2010 was \$205,617,497 and \$226,256,211, respectively. All liabilities, commitments, contingencies, guarantees or obligations of the downstream holding company, which are required to be recorded as liabilities, commitments, contingencies, guarantees, or obligation under applicable accounting guidance, are reflected in the Company's determination of the carrying value of RHC, if not already recorded in the financial statements. At December 31, 2011 and 2010, the Company's investment in RHC was held at an admitted value of \$166,103,233 and \$176,200,407, respectively, after nonadmitting \$39,514,264 and \$50,055,803 for goodwill, respectively.

The Company utilizes the look-through approach for the valuation of its downstream holding company, RED, as provided under SSAP 97 – *Investments in Subsidiary, Controlled, and Affiliated Entities, A Replacement of SSAP No. 88*. The Company's carrying value at December 31, 2011 was \$27,730,115. All liabilities, commitments, contingencies, guarantees or obligations of the downstream holding company, which are required to be recorded as liabilities, commitments, contingencies, guarantees, or obligation under applicable accounting guidance, are reflected in the Company's determination of the carrying value of RED, if not already recorded in the financial statements. At December 31, 2011, the Company's investment in RED was held at an admitted value of \$8,927,300, after nonadmitting \$18,802,815 for goodwill.

11. Debt:

On February 9, 2009, the Company borrowed \$19,000,000 from the Federal Home Loan Bank of Cincinnati ("FHLB") for a period of ten years at a fixed rate of 4.89%. This is an interest-only loan with principle due at the maturity date of February 9, 2019. This loan is collateralized by treasury bonds and mortgage-backed securities on deposit with FHLB. The total loan interest incurred through December 31, 2011 and 2010, was \$929,100 and \$929,100, respectively.

In May 2009, the Company borrowed money in the amounts of \$50,000,000 and \$20,000,000 from State Auto P&C and Milbank, respectively. The principal amount is due 2019. At the option of the Company, early repayment may be made. Interest is due semi-annually at a fixed annual interest rate of 7%. The total loan interest incurred through December 31, 2011 and 2010, was \$4,900,000 and \$4,900,000, respectively.

12. Retirement Plans, Deferred Compensation, Post-employment Benefits and Compensated Absences and Other Postretirement Benefit Plans:

All employees of the State Auto Group are employees of State Auto P&C, which holds assets and liabilities related to the employee benefit plans of the State Auto Group, and is the plan sponsor of the employee benefit plans.

A. Defined Benefit Plan:

State Auto P&C sponsors a defined benefit plan and a postretirement health care benefit plan. See Note 12(D).

B. Defined Contribution Plans:

State Auto P&C sponsors a defined contribution plan. See Note 12(D).

C. Multiemployer Plans: Not applicable.

12. Retirement Plans, Deferred Compensation, Post-employment Benefits and Compensated Absences and Other Postretirement Benefit Plans (continued):**D. Consolidated/Holding Company Plans:**

The Pooling Arrangement was amended on December 31, 2011 (see Note 26), to include certain balance sheet accounts such as the prepaid pension asset, postretirement health care liability, and the supplemental executive retirement plan ("SERP") liability. The following table reflects the pooling transfer of the pension and postretirement liabilities on December 31, 2011.

	Amount (\$)	
	Pension Benefits	Other Benefits
	2011	2011
Change in benefit obligation		
Benefit obligation at beginning of year	-	-
Liability for newly vested actives	-	-
Service cost	-	-
Interest cost	-	-
Actuarial (gain) or loss	-	-
Benefits paid	-	-
Plan amendment	-	-
Business combination, curtailments and special terminations	-	-
Amount assumed from the pool (December 31, 2011 Pooling Arrangement amendment)	112,112,368	14,023,879
Benefit obligation at end of year	112,112,368	14,023,879
Change in plan assets		
Fair value of plan assets at beginning of year	-	-
Actual return on plan assets	-	-
Employer contributions / merger assets	-	-
Benefits paid	-	-
Acquisitions	-	-
Amount assumed from the pool (December 31, 2011 Pooling Arrangement amendment)	77,255,773	948,908
Fair value of plan assets at end of year	77,255,773	948,908
Funded status	(34,856,595)	(13,074,970)
Unrecognized transition obligation (asset)	-	(600,544)
Unrecognized prior service cost	265,248	(12,215,602)
Unrecognized net (gain) or loss	67,720,247	1,910,393
Prepaid asset (liability)	33,128,900	(23,980,723)
Intangible asset	265,248	-

\$24,249,126 gross of tax or \$15,761,932 net of tax included in unassigned funds arose from a change in the minimum pension liability on December 31, 2011.

State Auto P&C sponsors a defined benefit pension plan covering substantially all State Auto Group employees hired prior to January 1, 2010. Participants are eligible to receive pension benefits upon reaching age 65, or early retirement if certain age and length of service requirements are met prior to age 65. Benefits are determined by applying factors specified in the Plan to a participant's defined average annual compensation and are recognized when paid. The Company is charged for its allocable share of net periodic pension cost based on the Company's pooling percentage. Pension costs allocated to the Company were \$983,588 in 2011 and \$2,776 in 2010. The Company has no legal obligation for benefits under this plan.

State Auto P&C sponsors a postretirement health care benefit plan covering substantially all State Auto Group employees hired prior to January 1, 2010, and their beneficiaries if they retire from the State Auto Group upon reaching an age at which each such employee is eligible to retire. On November 4, 2011, the postretirement benefit plan was amended to change eligibility requirements for participation of employees and certain retirees, which resulted in a curtailment on this date. The Company's portion of this curtailment gain was \$1,826,429. The Company's share of health care plan expenses amounted to \$1,255,113 and \$962,986 in 2011 and 2010, respectively.

The Company assumed \$2,559,600 of the SERP liability from State Auto P&C on December 31, 2011.

State Auto P&C maintains a defined contribution plan that covers substantially all of the State Auto Group's employees. State Auto P&C's matching contributions for Safe Harbor contributions are 100% of the first 1% of compensation and 50% of the contributions from 2% to 6%. In addition, State Auto P&C contributes a percentage of the employee's annual income for those employees hired on or after January 1, 2010, and for those employees hired prior to January 1, 2010 who chose to freeze their existing accrued pension benefit effective June 30, 2010. The Company's share of the expense under this plan was \$1,142,795 and \$789,113 for 2011 and 2010, respectively.

E. Postemployment Benefits and Compensated Absences:

The Company has no obligations for postemployment benefits. A liability for earned but unused vacation has been accrued.

F. Impact of Medicare Modernization Act on Postemployment Benefits (INT 04-17): Not applicable.**13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations:****A. Capital Stock Authorized, Issued and Outstanding as of the Balance Sheet Date: Not applicable.****B. Dividend Rate of Preferred Stock: Not applicable.****C. Dividend Restrictions: Not applicable.****D. Dates and Amounts of Dividends Paid: Not applicable.****E. Portion of the Company's Profits that may be paid as Ordinary Dividends to Stockholders: Not applicable.****F. Restrictions Placed on the Unassigned Funds, Including for Whom the Surplus is Being Held: Not applicable.****G. Mutual Surplus Advances: Not applicable.****H. Company Stock Held for Special Purposes: Not applicable.****I. Changes in Special Surplus Funds:**

The Company had special surplus funds of \$609,059 and \$0 at December 31, 2011 and 2010, respectively. The change in these funds is related to retroactive reinsurance agreements as net loss and LAE incurred were less than originally estimated under the contracts, and the difference was amortized to unassigned funds (surplus).

J. Changes in Unassigned Funds:

The portion of unassigned funds (surplus) represented by cumulative net unrealized gains is \$153,739,120. This excludes any applicable deferred taxes.

K. Surplus Notes: Not applicable.**L. Impact of Restatement Due to Quasi Reorganizations: Not applicable.**

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations (continued):

M. Effective Date of Quasi Reorganizations: Not applicable.

14. Contingencies:

A. Contingent Commitments:

In order to satisfy the requirements of the State of New Jersey, for Plaza to receive a Certificate of Authority, the Company resolved to maintain for a minimum of five years, commencing on the July 1, 2011 date of Plaza's admission in New Jersey, capital and surplus within Plaza that meet or exceed the requirements of the State of New Jersey as amended at any time during the five year period. The minimum capital and surplus required of Plaza by the State of New Jersey are \$4,200,000 and \$5,550,000, respectively. The Company has made no other guarantees on behalf of affiliates.

The Company has committed up to \$327,344 in additional capital contributions to Stonehenge Opportunity Fund LLC over the next year, \$1,820,000 in additional capital contributions to Stonehenge Opportunity Fund II, LLC over the next three years, \$2,190,000 in additional capital contributions to Stonehenge Opportunity Fund III, LLC over the next eight years, \$194,285 in additional capital contributions to NCT Ventures Fund I, LP over the next six years, and \$1,520,351 in additional capital contributions to Consumer Agent Portal, LLC over the next year (see Schedule BA).

The Company has purchased annuities from life insurers under which various claimants are payees and for which the Company is contingently liable. See related Note 27.

B. Guaranty Fund and Other Assessments:

The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments should be accrued at the time of insolvencies. On a direct basis, the Company has accrued a liability for guaranty fund assessments of \$858,736 and a related premium tax benefit asset of \$330,859. The liability is expected to be paid over the next five years. The asset is expected to be realized over the next ten years. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to many factors, including the Company's share of the ultimate cost of current insolvencies.

C. Gain Contingencies: Not applicable.

D. Claims-Related Extra Contractual Obligation and Bad-Faith Losses Stemming from Lawsuits: Not applicable.

E. Product Warranties: Not applicable.

F. All Other Contingencies:

In December 2010, a putative class action lawsuit (Kelly vs. State Automobile Mutual Insurance Company, et al.) was filed against State Auto Financial, State Auto P&C and State Auto Mutual in state court in Ohio. In this lawsuit, plaintiffs alleged that the defendants have engaged, and continue to engage, in deceptive practices by failing to disclose to plaintiffs the availability, through one or more related companies, of insurance policies providing for identical coverage and service as those policies purchased by plaintiffs but at a lower premium amount. This suit was voluntarily dismissed by the plaintiffs without prejudice on December 15, 2011, but they have retained the right to refile their case within one year. If this case is refiled, the Company will deny any and all liability to plaintiffs or the alleged class, and will vigorously defend the suit as it believes that its practices with respect to pricing, quoting and selling insurance policies are in compliance with all applicable laws.

Based on the Company's current understanding and assessment of this case, this matter is not expected to have a material adverse effect on results of operations.

The Company is involved in litigation and may become involved in potential litigation arising in the ordinary course of business. Additionally, the Company may be impacted by adverse regulatory actions and adverse court decisions where insurance coverages are expanded beyond the scope originally contemplated in the policies. In the opinion of management, the effects, if any, of such litigation and published court decisions are not expected to be material to the financial statements.

15. Leases:

A. Lessee Operating Lease:

1. a. The Company leases office facilities, automobiles, and equipment under various operating leases that expire through 2020. Rental expense for 2011 and 2010 was approximately \$11,790,630 and \$10,329,846, respectively.
1. b. Contingent rental payments: Not applicable.
1. c. Renewal or purchase options and escalation clauses: Certain leases contain a renewal option allowing the Company to renew the lease. Renewal terms are negotiated at such time as the Company notifies the lessor of its intent to renew the lease. Some of the Company's leases contain escalation clauses, which are scheduled rent increases over the lease term.
1. d. Restrictions: Not applicable.
1. e. Early termination: Not applicable.
2. a. At January 1, 2012, future minimum lease payments on noncancelable operating leases are as follows:

Year Ending December 31	Amounts (\$)
2012	4,192,131
2013	3,073,159
2014	1,076,031
2015	421,262
2016	88,684
Thereafter	-
Total	8,851,267

2. b. Subleases: Not applicable.
3. The Company has not entered into any sales and leaseback arrangements.

B. Lessor Leases:

1. Operating leases: Not applicable.
2. Leveraged leases: Not applicable.

16. Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk: Not Applicable.**17. Sale, Transfer and Servicing of Financial Instruments and Extinguishments of Liabilities:**

A. Transfers of Receivables Reported as Sales: Not applicable.

B. Transfers and Servicing of Financial Assets: Not applicable.

C. Wash Sales: None.

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans: Not applicable.**19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators:** Not applicable.

20. Fair Value Measurement:**A. Inputs Used for Assets and Liabilities Measured at Fair Value:**

The fair value of the majority of equity securities is provided by the Securities Valuation Office ("SVO"). These equity securities are recorded using unadjusted market prices provided by the SVO and have been disclosed in Level 1 in Item 1 below. The company holds equity securities as a member of Federal Home Loan Bank of Cincinnati. These securities are not publicly traded and the fair value reported is the per share cost. These equity securities have been disclosed in Level 3 in Item 1 below.

The Company utilizes information provided by the SVO to estimate fair value measurements for the majority of its fixed maturities. If market data is not provided by the SVO, fair value is determined by using data provided by a nationally recognized pricing service. See Item B below for fair value disclosures related to fixed maturities.

The Company's other invested assets includes one international private equity fund ("the fund") that invests in equity securities of foreign issuers and is managed by a third party investment manager. The fair value of this fund is based on the net asset value obtained from a third party trustee statement. The net asset value reflects the fair value of the fund's underlying investments, the majority of which have observable market quotes. The Company employs procedures to assess the reasonableness of the fair value of the fund including obtaining and reviewing the fund's audited financial statements. The fund is disclosed in Level 2 in Item 1 below. The remainder of the Company's other invested assets consist primarily of holdings in publicly-traded mutual funds. The Company believes that its prices for these publicly-traded mutual funds, which are based on an observable market price for an identical asset in an active market, reflect their fair value and consequently this security has been disclosed in Level 1 in Item 1 below.

The Company estimates the fair value of the note payable to affiliates using market quotations for U.S. treasury securities with similar maturity dates and applies an appropriate credit spread. See Item B below for fair value disclosures related to the Note payable.

1. The Company has categorized its assets that are measured at fair value into the three-level fair value hierarchy as reflected in the following table. The Company has no liabilities that are measured at fair value. See Item 3 below for a discussion of the Company's transfer policy. See Item 4 below for a discussion of Level 2 and Level 3 assets.

Amount (\$)				
December 31, 2011				
Description	Level 1	Level 2	Level 3	Total
Assets, at fair value				
Common stocks				
Large-cap industrial and misc.	13,864,245	-	3,558,700	17,422,945
Small-cap industrial and misc.	7,470,031	-	-	7,470,031
Total common stocks	21,334,276	-	3,558,700	24,892,976
Other invested assets	1,975,547	10,639,813	-	12,615,360
Total assets, at fair value	23,309,823	10,639,813	3,558,700	37,508,336

Amount (\$)				
December 31, 2010				
Description	Level 1	Level 2	Level 3	Total
Assets, at fair value				
Common stocks				
Large-cap industrial and misc.	14,736,515	-	3,247,300	17,983,815
Small-cap industrial and misc.	7,443,411	-	-	7,443,411
Total common stocks	22,179,926	-	3,247,300	25,427,226
Other invested assets	1,440,777	11,152,805	-	12,593,582
Total assets, at fair value	23,620,703	11,152,805	3,247,300	38,020,808

2. A reconciliation of assets measured at fair value using Significant Unobservable Inputs (Level 3) is reflected in the following table.

Description	Amount (\$)									
	Beginning Balance at January 1, 2011	Transfers into Level 3	Transfers out of Level 3	Total gains/(losses) included in Net Income	Total gains/(losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Balance at December 31, 2011
Assets:										
Common stock										
Large-cap industrial and misc.	3,247,300	-	-	-	-	311,400	-	-	-	3,558,700
Total assets	3,247,300	-	-	-	-	311,400	-	-	-	3,558,700

Description	Amount (\$)									
	Beginning Balance at January 1, 2010	Transfers into Level 3	Transfers out of Level 3	Total gains/(losses) included in Net Income	Total gains/(losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Balance at December 31, 2010
Assets:										
Common stock										
Large-cap industrial and misc.	3,247,300	-	-	-	-	-	-	-	-	3,247,300
Total assets	3,247,300	-	-	-	-	-	-	-	-	3,247,300

3. Transfers between level categorizations may occur due to changes in the availability of market observable inputs. Transfers in and out of level categorizations are reported as having occurred at the beginning of the quarter in which the transfer occurred. There were no transfers between level categorizations during 2011 and 2010.
4. As of December 31, 2011 and 2010, the reported fair value of the Company's investment in Level 2, an other invested asset, Silchester International Investment Partners Ltd., was \$10,639,813 and 11,152,805, respectively. See Item A for a discussion of valuation techniques and inputs used in determining fair value. There are no unfunded commitments related to the fund. The Company may not sell its investment in the fund; however, the Company may redeem all or a portion of its investment in the fund at net asset value per share with the appropriate prior written notice. Due to the Company's ability to redeem its investment in the fund at net asset value per share at the measurement date, the fund is classified as Level 2.
- As of December 31, 2011 and 2010, the reported fair value of the Company's investment in Level 3, equity securities of Federal Home Loan Bank of Cincinnati, was \$3,558,700 and \$3,247,300, respectively. See Item A above for a discussion of valuation techniques and inputs used in determining fair value. Since these equity securities are not publicly traded, they are classified as Level 3.
5. The Company has no derivative assets or liabilities.

20. Fair Value Measurement (continued):**B. Other Fair Value Disclosures:**

See Item A for a discussion on valuation techniques.

Description	Amount (\$)			
	December 31, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Long-term bonds				
U.S. governments	55,517,880	57,400,897	35,069,256	36,469,627
U.S. states, territories and possessions	-	-	4,133,374	4,090,040
U.S. political subdivisions of states, territories and possessions	10,327,401	11,015,300	29,992,493	29,873,801
U.S. special revenue and special assessment obligations	55,137,736	58,773,144	70,216,470	70,942,633
Industrial and misc.	35,071,241	38,486,532	24,164,692	25,933,449
Total long-term bonds	156,054,258	165,675,873	163,576,285	167,309,550
Short-term bonds				
U.S. governments	-	-	4,994,487	4,994,650
Industrial and misc.	26,511,191	26,511,191	34,255,103	34,255,103
Total short-term bonds	26,511,191	26,511,191	39,249,590	39,249,753
Total assets	182,565,449	192,187,064	202,825,875	206,559,303
Liabilities				
Note payable to affiliates	70,000,000	77,503,176	70,000,000	71,062,211
Total liabilities	70,000,000	77,503,176	70,000,000	71,062,211

C. Reasons Not Practical to Estimate Fair Value: Not applicable.**21. Other Items:****A. Extraordinary Items:** Not applicable.**B. Troubled Debt Restructuring:** Not applicable.**C. Other Disclosures:**

The Company elected to use rounding in reporting amounts in this Annual Statement. The Company also set a tolerance for rounding errors at 10 for validation purposes.

Florida Statute 625.012(5) requires that the Company disclose the amount of Agents' balances or uncollected premiums and the premiums collected from "controlled" or "controlling" persons. The Company had \$240,690,091 and \$178,097,483 at December 31, 2011 and 2010, respectively, of uncollected premiums. No premiums were collected from "controlled" or "controlling persons" during the years ended 2011 and 2010.

Pursuant to Florida Statutes 624.424, the Company is required to disclose any credit in loss reserves taken for anticipated recoveries from the Special Disability Trust Fund. The Company took no credits in the determination of its loss reserves for the years ended 2011 and 2010. Additionally, the Company received no payments from the Special Disability Trust Fund. The Trust Fund made no assessments during the years ended 2011 and 2010.

Assets in the amount of \$6,147,379 and \$5,231,961 at December 31, 2011 and 2010, respectively, were on deposit with government authorities or other regulatory bodies as required by law. Assets valued at \$20,008,078 and \$20,179,147 at December 31, 2011 and 2010, respectively, were pledged as collateral for Federal Home Loan Bank of Cincinnati. See Note 11 for additional disclosure.

D. Uncollectible Premiums Receivable:

The Company routinely assesses the collectability of premium receivables due from policyholders, agents, and reinsurers. Based upon Company experience of evaluating uncollectability, a provision for uncollectible premiums reserves was recorded totaling \$4,563,386 and \$4,651,941 as of December 31, 2011 and 2010, respectively. The potential for any additional loss is not believed to be material to the Company's financial condition.

E. Business Interruption Insurance Recoveries: Not applicable.**F. State Transferable Tax Credits:** Not applicable.**G. Subprime Mortgage Related Risk Exposure:**

1. The Company has reviewed and considered possible exposure to subprime mortgage related risk through (1) direct investments in subprime mortgage loans; (2) direct investments in securities with underlying subprime exposure, such as residential mortgage backed securities, commercial mortgage backed securities, collateralized debt obligations, structured securities, hedge funds, credit default swaps, and special investment vehicles; (3) equity investments in subsidiary, controlled or affiliated entities with significant subprime related risk exposure; or (4) underwriting risk on policies issued for Mortgage Guaranty or Financial Guaranty insurance coverage and determined that the Company does not have direct exposure to subprime mortgage related risk.
2. The Company does not have direct exposure through investments in subprime mortgage loans.
3. The Company does not have direct exposure through other investments.
4. The Company does not write Mortgage Guaranty or Financial Guaranty insurance coverage and, therefore, does not have underwriting exposure to subprime mortgage risk related to these types of coverages.

22. Events Subsequent:

Subsequent events have been considered through February 24, 2012 for the statutory statement issued on February 24, 2012.

23. Reinsurance:**A. Unsecured Reinsurance Recoverable:**

The following table provides a listing of unsecured reinsurance recoverable that exceed 3% of the Company's policyholders' surplus:

NAIC Code	Federal ID#	Name of Reinsurer	Amount (\$)
25127	57-6010814	State Auto P&C	1,235,027,511
41653	46-0368854	Milbank	342,953,249
26921	22-2005057	Everest Reins Co	40,438,149
00000	AA-9991159	Michigan Catastrophic Claims Assn	37,721,095
30058	75-1444207	Scor Reins Co	26,565,765
25364	13-1675535	Swiss Reins Amer Corp	71,012,891
		Total	1,753,718,660

B. Reinsurance Recoverable in Dispute:

The Company does have reinsurance recoverables in dispute for paid losses and loss adjustment expenses but none that exceed 5% of policyholders' surplus from an individual reinsurer or exceed 10% of policyholders' surplus in aggregate.

23. Reinsurance (continued):**C. Reinsurance Assumed and Ceded:**

1. The following table summarizes assumed and ceded unearned premiums and the related commission equity at December 31, 2011, stated in dollars:

	Amount (\$)					
	Assumed		Ceded		Assumed Less Ceded	
	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity
Affiliates	588,416,140	-	469,469,691	-	118,946,449	-
All other	87,756,791	26,372,494	144,391,444	41,538,351	(56,634,653)	(15,165,857)
Totals	676,172,931	26,372,494	613,861,135	41,538,351	62,311,796	(15,165,857)
Direct Unearned Premium Reserve: 179,536,224						

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

	Amount (\$)			
	Direct	Assumed	Ceded	Net
a. Contingent Commission	-	-	(76,713)	76,713
b. Sliding Scale Adjustments	-	-	-	-
c. Other Profit Commission Arrangements	-	-	-	-
Total	-	-	(76,713)	76,713

3. Protected Cells: Not applicable.

D. Uncollectible Reinsurance: Not applicable.**E. Commutation of Ceded Reinsurance: Not applicable.****F. Retroactive Reinsurance:**

On December 31, 2010, concurrent with the sale of SA National, SA National's participation in the Pooling Arrangement was terminated, and State Auto P&C entered into a 100% quota share and loss portfolio transfer reinsurance agreement ("LPT") on December 31, 2010 to assume liability for the pre and post closing book of business of SA National until all policies were renewed by SA National on third party systems. This assumed business by State Auto P&C is subject to the Pooling Arrangement. The LPT agreement is a retroactive reinsurance transaction with SA National which transferred reserves totaling \$17,072,261 for consideration of \$17,072,261 resulting in no special surplus gain or loss. Retroactive reserves are included in other liabilities on the balance sheet.

For claims occurring on or after July 1, 1998, American Compensation limited its per incident exposure by purchasing excess of loss coverage for losses between \$25,000 to the lesser of \$300,000 or the Workers' Compensation Reinsurance Association selected retention level in Minnesota and between \$25,000 to \$300,000 in other states from a single reinsurer. This agreement was finalized after its effective date. As a result, activity occurring from July 1, 1998 through October 1, 1998 has been recorded on a retroactive basis. Retroactive reserves are included in other liabilities on the balance sheet.

The retroactive reserves assumed and ceded below represent State Auto Mutual's pooling percentage December 31, 2011.

1.	Amount (\$)	
	Assumed	Ceded
a. Reserves Transferred:		
1. Initial Reserves (Assumed)/Ceded	(5,804,568)	1,798,430
2. Adjustments – Prior Years	-	212,714
3. Adjustments – Current Year	427,158	6,143
4. Current Total	(5,377,410)	2,017,287
b. Consideration Received/(Paid)		
1. Initial Consideration	5,804,568	(1,122,272)
2. Adjustments – Prior Years	-	-
3. Adjustments – Current Year	-	-
4. Current Total	5,804,568	(1,122,272)
c. Paid Losses (Reimbursed)/Recovered		
1. Prior Years	-	1,813,264
2. Current Year	(3,641,993)	22,123
3. Current Total	(3,641,993)	1,835,387
d. Special Surplus from Retroactive Reinsurance:		
1. Initial Surplus Gain/(Loss)	-	676,158
2. Adjustments – Prior Years	-	212,714
3. Adjustments – Current Year	427,158	6,143
4. Current Year Restricted Surplus	427,158	181,900
5. Cumulative Total Transferred to Unassigned Funds		(713,115)
e. All Cedents and Reinsurers Involved in all Transactions Included in the Summary Totals Above:		
Entity		
25364 Swiss Reins Amer Corp	-	2,017,287
19530 Hallmark Natl Ins Co	(5,377,410)	-

G. Reinsurance Accounted for as a Deposit: Not applicable.**H. Run-off Agreements: Not applicable.****24. Retrospectively Rated Contracts and Contracts Subject to Redetermination: Not applicable.****25. Changes in Incurred Losses and Loss Adjustment Expenses:**

Per Schedule P Part 1-Summary	Amount (\$)		
	All Accident Years	2011 Accident Year	Prior Accident Years
Loss & LAE reserves at 12/31/10	206,798,255	-	206,798,255
Impact of Pooling Change 1/1/11	29,585,062	-	29,585,062
Loss & LAE incurred in 2011	279,079,126	287,372,087	(8,292,961)
Loss & LAE paid in 2011	256,991,696	171,205,907	85,785,789
Impact of Pooling Change 12/31/11	202,758,585	91,710,143	111,048,442
Loss & LAE reserves at 12/31/11	461,229,332	207,876,323	253,353,009

Incurred losses and loss adjustment expenses attributable to prior accident years decreased approximately \$8.3 million during 2011. This decrease is the result of subsequent reserve review using more mature claim data. Favorable development of loss adjustment expense contributed roughly 23% of the total. Remaining favorable development is attributable primarily to the Homeowners, Commercial Multi-Peril and Fire/Allied lines of business, driven by emergence of lower than anticipated claim severity, largely from accident year 2010 and, to a lesser extent, the past five accident years in the Commercial Multi-Peril line. Somewhat offsetting the favorable development in those lines was adverse development in the Commercial Auto Liability line, driven by an increase in large losses, and the Workers Compensation line, driven by reserve increases on certain life time disability claims.

26. Intercompany Pooling Arrangements:

The Company participates in a quota share reinsurance pooling arrangement with the following affiliated companies (the "Pooling Arrangement"):

Pool Participant (the "State Auto Pool")	NAIC Co. Code	Pooling Participation Percentages		
		2010	Effective 1/1/11	Effective 12/31/11
State Auto Mutual – lead reinsurer	25135	19.0%	19.0%	34.0%
State Auto P&C	25127	59.0%	59.0%	51.0%
Milbank	41653	17.0%	17.0%	14.0%
SA Wisconsin	31755	0.0%	0.0%	0.0%
Farmers	13811	3.0%	3.0%	0.0%
SA Ohio	11017	1.0%	1.0%	0.0%
SA Florida	11502	0.0%	0.0%	0.0%
Meridian Security	23353	0.0%	0.0%	0.0%
Meridian Citizens Mutual	10502	0.5%	0.5%	0.5%
Beacon National	20028	0.0%	0.0%	0.0%
Patrons Mutual	14923	0.4%	0.4%	0.4%
Litchfield	32085	0.1%	0.1%	0.1%
SA National	19530	0.0%	N/A	N/A
Rockhill	28053	N/A	0.0%	0.0%
Plaza	30945	N/A	0.0%	0.0%
American Compensation	45934	N/A	0.0%	0.0%
Bloomington Compensation	12311	N/A	0.0%	0.0%

Under the terms of the arrangement, the participants cede to State Auto Mutual all of their insurance business, net of assumed and ceded reinsurance, and assume from State Auto Mutual an amount equal to their respective participation percentages outlined in the Pooling Arrangement. All business written by each pool participant, except for State Auto Mutual's unaffiliated voluntary assumed reinsurance program with policies effective prior to January 1, 2009, is subject to the Pooling Arrangement. All premiums, losses, loss adjustment expenses and underwriting expenses are allocated among the participants on the basis of each company's respective participation percentage outlined in the Pooling Arrangement. The Pooling Arrangement provides indemnification against loss or liability relating to insurance risk and has been accounted for as reinsurance.

Effective January 1, 2010, the Pooling Arrangement was amended, effectively adding SA National to the Pooling Arrangement as a zero percentage participant and including unaffiliated voluntary assumed reinsurance programs for policies effective January 1, 2009 and thereafter. In conjunction with the January 1, 2010 amendment, the Company made a cash payment, net of a ceding commission, of \$4,011,519, which relates to the net insurance assets transferred by the Company as shown in the table below.

	Amount (\$)
	January 1, 2010
Loss and loss adjustment expense reserves	(3,821,437)
Unearned premium	(1,300,929)
Miscellaneous assets/(liabilities)	8,919,065
Total net assets transferred	3,796,699
Ceding commission paid	214,820
Net cash transferred	4,011,519

On December 31, 2010, concurrent with the sale of SA National, SA National's participation in the Pooling Arrangement was terminated, and State Auto P&C entered into a 100% quota share and loss portfolio transfer reinsurance agreement ("LPT") with SA National on December 31, 2010 to assume liability for the pre and post closing book of business of SA National until all policies were renewed by SA National on third party systems. This assumed business by State Auto P&C is subject to the Pooling Arrangement. The table below shows the net insurance liabilities assumed by the Company as a result of these transactions after pooling.

	Amount (\$)		
	Pooling Arrangement	Quota Share & LPT	Net
Loss and loss adjustment expense reserves	(3,243,730)	-	(3,243,730)
Unearned premiums	(1,832,987)	1,832,987	-
LPT reinsurance reserves	-	3,243,730	3,243,730
Total net liabilities (transferred) received	(5,076,717)	5,076,717	-

Effective January 1, 2011, the Pooling Arrangement was amended, effectively adding Rockhill, Plaza, American Compensation and Bloomington Compensation to the Pooling Arrangement as zero percentage participants. In conjunction with the January 1, 2011 amendment, the Company received cash, net of a ceding commission, of \$35,583,553, which relates to the net insurance assets and liabilities received by the Company as shown in the table below.

	Amount (\$)
	January 1, 2011
Loss and loss adjustment expense reserves	29,585,062
Unearned premiums	8,124,386
Earned but unbilled reserve	(34,010)
Miscellaneous assets and liabilities	(111,580)
Total net liabilities received	37,564,858
Ceding commission paid	(1,981,305)
Net cash received	35,583,553

Effective December 31, 2011, the Pooling Arrangement was amended, effectively changing the pooling participation percentages of certain participants and including in the State Auto Pool certain balance sheet accounts related to underwriting expenses. In conjunction with the December 31, 2011 amendment, the Company will receive cash, net of a ceding commission, of \$272,904,879, which relates to the net insurance assets and liabilities received by the Company. The table below shows the balance sheet effect to the Company.

	Amount (\$)		
	Cash	Net Insurance Liabilities	Surplus
		December 31, 2011	December 31, 2011
Loss and loss adjustment expense reserves	202,758,584	202,758,584	-
Unearned premiums	106,697,657	106,697,657	-
Earned but unbilled reserve	104,980	104,980	-
Miscellaneous assets and liabilities	(9,405,747)	14,843,379	(24,249,126)
Nonadmitting of prepaid assets	-	26,440,259	(26,440,259)
Net change	300,155,474	350,844,859	(50,689,385)
Ceding commission	(27,250,595)	-	(27,250,595)
Net change, including ceding commission	272,904,879	350,844,859	(77,939,980)

26. Intercompany Pooling Arrangements (continued):

Per SSAP No. 62 – *Property and Casualty Reinsurance*, ceded reinsurance written premiums payable may be deducted from amounts due from the reinsurer when a legal right of offset exists. As the Pooling Arrangement provides for the right of offset, the Company has netted within the Statement of Assets and Liabilities the amount due to each State Auto Pool participant under ceded reinsurance written premiums payable with the amount due from the same participant on assumed reinsurance written premiums receivable for transactions under the Pooling Arrangement. The following tabular presentation reflects the ceded reinsurance written premiums payable and assumed reinsurance written premiums receivable at December 31, 2011, between each State Auto Pool participant and State Auto Mutual resulting in the net amount due to or due from State Auto Mutual:

	Amount (\$)		
	Assumed Reinsurance Written Premiums Receivable from State Auto Mutual	Ceded Reinsurance Written Premiums Payable to State Auto Mutual	Net Assumed Reinsurance Written Premiums Receivable/(Net Ceded Reinsurance Written Premiums Payable)
State Auto P&C	185,969,639	145,691,482	40,278,157
Milbank	53,584,472	19,341,523	34,242,949
SA Wisconsin	-	8,504,289	(8,504,289)
Farmers	9,456,084	3,405,819	6,050,265
SA Ohio	3,152,028	16,914,493	(13,762,465)
SA Florida	-	43,238	(43,238)
Meridian Security	-	44,555,316	(44,555,316)
Meridian Citizens Mutual	1,576,014	9,986,449	(8,410,435)
Beacon National	-	1,976,209	(1,976,209)
Patrons Mutual	1,260,811	14,723,303	(13,462,492)
Litchfield	315,203	657,289	(342,086)
Rockhill	-	18,233,653	(18,233,653)
Plaza	-	11,795,393	(11,795,393)
American Compensation	-	8,271,992	(8,271,992)
Bloomington Compensation	-	367,382	(367,382)

The following tabular presentation reflects the reinsurance receivable and payable on loss and loss adjustment expense paid at December 31, 2011, between each State Auto Pool participant and State Auto Mutual:

	Amount (\$)	
	Assumed Reinsurance Loss and Loss Adjustment Expense Paid from State Auto Mutual	Ceded Reinsurance Loss and Loss Adjustment Expense Paid to State Auto Mutual
State Auto P&C	166,364,860	108,114,981
Milbank	47,935,638	13,174,412
SA Wisconsin	-	5,253,645
Farmers	8,459,230	2,678,888
SA Ohio	2,819,743	11,643,597
SA Florida	-	800,572
Meridian Security	-	31,721,105
Meridian Citizens Mutual	1,409,872	6,149,946
Beacon National	-	2,136,895
Patrons Mutual	1,127,897	11,558,041
Litchfield	281,974	660,386
Rockhill	-	2,814,840
Plaza	-	3,082,828
American Compensation	-	6,087,622
Bloomington Compensation	-	1,609,300

The following tabular presentation reflects all other intercompany amounts due from and due to State Auto Mutual from entities participating in the Pooling Arrangement at December 31, 2011:

	Amount (\$)	
	Intercompany Amounts Due from State Auto Mutual	Intercompany Amounts Due to State Auto Mutual
State Auto P&C	-	193,202,619
Milbank	-	64,424,033
SA Wisconsin	3,010,842	-
Farmers	-	59,878,400
SA Ohio	-	16,172,028
SA Florida	-	698,564
Meridian Security	9,665,106	-
Meridian Citizens Mutual	3,100,052	-
Beacon National	-	1,387,752
Patrons Mutual	1,323,880	-
Litchfield	233,140	-
Rockhill	2,309,856	-
Plaza	3,121,545	-
American Compensation	1,218,560	-
Bloomington Compensation	277,178	-

Additionally, SA Wisconsin owes State Auto P&C \$65,549, Patrons Mutual owes Litchfield \$527,321, State Auto P&C owes Meridian Citizens Mutual \$60, Meridian Security owes Meridian Citizens Mutual \$470, Rockhill owes Plaza \$65,189, American Compensation owes Plaza \$527,720, American Compensation owes Bloomington Compensation \$210,206, and Bloomington Compensation owes Plaza \$712.

27. Structured Settlements:

A. Reserves Released due to Purchase of Annuities:

The Company has purchased annuities from life insurers under which the claimants are payees. The Company has a contingent liability of \$8,658,700 should the issuers of these annuities fail to perform under the terms of the annuities.

B. Annuity Insurers with Balances due Greater than 1% of Policyholders' Surplus: None.

28. Health Care Receivables: Not applicable.**29. Participating Policies:** Not applicable.

30. Premium Deficiency Reserves:

The Company has assumed through the Pooling Arrangement a premium deficiency reserve of \$42,500 from State Auto Mutual's accident and health business. The evaluation was completed as of December 31, 2011. This is recorded in the aggregate write-in for liabilities and the change in the reserve is reflected in aggregate write-in for underwriting deductions. The Company anticipates investment income as a factor in the premium deficiency calculation, except for its accident and health business, in accordance with SSAP No. 53 - *Property – Casualty Contracts – Premiums*.

31. High Deductibles:

As of December 31, 2011 and 2010, the amount of reserve credit recorded for high deductibles on unpaid claims was \$485,322 and \$302,764 respectively, and the amount billed and recoverable on paid claims was \$233,394 and \$12,039, respectively.

32. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses: Not applicable.**33. Asbestos/Environmental Reserves:**

A. Does the Company have on the books, or has it ever written an insured for which you have identified a potential for the existence of, a liability due to asbestos losses? Yes.

The Company's exposure to asbestos losses arises from the sale of general liability insurance. The Company tries to estimate the full impact of the asbestos exposure by establishing full case basis reserves on all known losses and estimating incurred but not reported losses based on previous experience. The assumed and ceded historic amounts have been restated to reflect the change in the Pooling Agreement. (See Note 26)

Direct Basis:	Amount (\$)				
	2007	2008	2009	2010	2011
Beginning reserves	1,429,171	1,294,997	896,393	804,744	603,392
Incurred losses and loss adjustment expenses	(33,218)	(338,018)	(45,139)	(169,564)	27,910
Calendar year payments for losses and loss adjustment expenses	100,956	60,586	46,510	31,788	37,813
Ending reserves	1,294,997	896,393	804,744	603,392	593,489

Assumed Reinsurance Basis:	Amount (\$)				
	2007	2008	2009	2010	2011
Beginning reserves	3,415	90,727	581,211	47,060	37,686
Incurred losses and loss adjustment expenses	182,622	829,234	(501,822)	(1,489)	9,041
Calendar year payments for losses and loss adjustment expenses	95,310	338,750	32,329	7,885	2,428
Ending reserves	90,727	581,211	47,060	37,686	44,299

Net of Ceded Reinsurance Basis:	Amount (\$)				
	2007	2008	2009	2010	2011
Beginning reserves	1,415,586	1,368,724	1,460,604	833,104	622,378
Incurred losses and loss adjustment expenses	149,404	491,216	(548,661)	(171,054)	36,950
Calendar year payments for losses and loss adjustment expenses	196,266	399,336	78,839	39,672	40,240
Ending reserves	1,368,724	1,460,604	833,104	622,378	619,088

B. State the amount of the ending reserves for Bulk + IBNR included in A (Loss & LAE):

	Amount (\$)
Direct Basis	340,000
Assumed Reinsurance Basis	19,512
Net of Ceded Reinsurance Basis	359,512

C. State the amount of the ending reserves for loss adjustment expenses included in A (Case, Bulk + IBNR):

	Amount (\$)
Direct Basis	296,745
Assumed Reinsurance Basis	22,149
Net of Ceded Reinsurance Basis	309,544

D. Does the Company have on the books, or has it ever written an insured for which you have identified a potential for the existence of, a liability due to environmental losses? Yes.

Direct Basis:	Amount (\$)				
	2007	2008	2009	2010	2011
Beginning reserves	3,091,509	3,898,511	3,761,285	4,378,965	4,674,037
Incurred losses and loss adjustment expenses	1,216,962	1,100,129	1,161,273	815,170	950,033
Calendar year payments for losses and loss adjustment expenses	409,960	1,237,355	543,593	520,098	623,067
Ending reserves	3,898,511	3,761,285	4,378,965	4,674,037	5,001,003

Assumed Reinsurance Basis:	Amount (\$)				
	2007	2008	2009	2010	2011
Beginning reserves	-	-	-	-	-
Incurred losses and loss adjustment expenses	-	-	-	-	-
Calendar year payments for losses and loss adjustment expenses	-	-	-	-	-
Ending reserves	-	-	-	-	-

Net of Ceded Reinsurance Basis:	Amount (\$)				
	2007	2008	2009	2010	2011
Beginning reserves	2,805,487	3,342,189	3,259,363	3,648,519	3,738,445
Incurred losses and loss adjustment expenses	946,662	1,087,068	843,004	610,024	840,480
Calendar year payments for losses and loss adjustment expenses	409,960	1,169,894	453,848	520,098	490,942
Ending reserves	3,342,189	3,259,363	3,648,519	3,738,445	4,087,983

E. State the amount of the ending reserves for Bulk + IBNR included in D (Loss & LAE):

	Amount (\$)
Direct Basis	3,740,000
Assumed Reinsurance Basis	-
Net of Ceded Reinsurance Basis	3,740,000

F. State the amount of the ending reserves for loss adjustment expenses included in D (Case, Bulk + IBNR):

	Amount (\$)
Direct Basis	2,500,502
Assumed Reinsurance Basis	-
Net of Ceded Reinsurance Basis	2,043,991

34. Subscriber Savings Accounts: Not applicable.

35. **Multiple Peril Crop Insurance:** Not applicable.

36. **Financial Guaranty Insurance:** Not applicable.