

**The American Modern Select Insurance Co. 2011 Annual statement is amended to include the electronic submission data for financial statement note 30 and to include the name of the actuary in general interrogatory 11.**



PROPERTY AND CASUALTY COMPANIES - ASSOCIATION EDITION

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

American Modern Select Insurance Company

NAIC Group Code	0361 (Current)	0361 (Prior)	NAIC Company Code	38652	Employer's ID Number	38-2342976
Organized under the Laws of	Ohio			State of Domicile or Port of Entry		Ohio
Country of Domicile	United States of America					
Incorporated/Organized	08/15/1980			Commenced Business		10/01/1980
Statutory Home Office	7000 Midland Blvd. (Street and Number)			Amelia , OH 45102-2607 (City or Town, State and Zip Code)		
Main Administrative Office	7000 Midland Blvd. (Street and Number)			800-543-2644-5478 (Area Code) (Telephone Number)		
	Amelia , OH 45102-2607 (City or Town, State and Zip Code)			800-543-2644-5478 (Area Code) (Telephone Number)		
Mail Address	P.O. Box 5323 (Street and Number or P.O. Box)			Cincinnati , OH 45201-5323 (City or Town, State and Zip Code)		
Primary Location of Books and Records	7000 Midland Blvd. (Street and Number)			800-543-2644-5478 (Area Code) (Telephone Number)		
	Amelia , OH 45102-2607 (City or Town, State and Zip Code)			800-543-2644-5478 (Area Code) (Telephone Number)		
Internet Website Address	www.amig.com					
Statutory Statement Contact	Kenneth L. Kuhn (Name)			800-543-2644-5478 (Area Code) (Telephone Number)		
	kkuhn@amig.com (E-mail Address)			513-947-4111 (FAX Number)		

OFFICERS

President / CEO	Manuel Zuniga Rios #	Senior Vice President	William Todd Gray
Chairman / Senior Vice President	Juergen Erwin Kammerlohr #	Senior Vice President	James Paul Tierney

OTHER

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

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

State of Ohio  
County of Clermont  
SS:

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Manuel Zuniga Rios President / CEO	Michael Lynn Flowers Vice President / Secretary	Kenneth Leo Kuhn Vice President / Controllor
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Subscribed and sworn to before me this	a. Is this an original filing? .....	Yes [ X ] No [ ]
day of	b. If no,	
	1. State the amendment number.....	
	2. Date filed .....	
	3. Number of pages attached.....	

## NOTES TO FINANCIAL STATEMENTS

### 1) Summary of Significant Accounting Policies

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

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

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

### 2) Accounting Changes and Corrections of Errors

The Company had no accounting changes in 2011.

### 3) Business Combinations and Goodwill

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

### 4) Discontinued Operations

The Company had no discontinued operations in 2011.

### 5) Investments

#### A) Mortgage Loans

The Company has no mortgage loan currently outstanding.

#### B) Debt Restructuring

The Company has no outstanding debt.

#### C) Reverse Mortgages

The Company has no reverse mortgages.

#### D) Loan - Backed Securities

NOTES TO FINANCIAL STATEMENTS

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

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

4) a. The aggregate amount of unrealized losses:

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

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

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

E) Repurchase Agreements and/or Security Lending Transactions

Not Applicable

F) Real Estate

The Company has no real estate investments.

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

Not Applicable

6) Joint Ventures, Partnerships and Limited Liability Companies

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

7) Investment Income

The Company had no write-offs of investment income in 2011.

8) Derivative Instruments

The Company currently holds no derivative instruments

9) Income Taxes

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

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

	Ordinary	12/31/11 Capital	Total	Ordinary	12/31/10 Capital	Total	Change Ordinary	Change Capital	Change Total
(1) Total gross deferred tax assets	1,334,409	-	1,334,409	1,604,047	-	1,604,047	(269,637)	-	(269,637)
(2) Total gross deferred tax liabilities	(2,200)	(36,948)	(39,148)	(1,847)	-	(1,847)	(353)	(36,948)	(37,301)
(3) Net deferred tax assets /(liabilities)	1,332,209	(36,948)	1,295,261	1,602,199	-	1,602,199	(269,991)	(36,948)	(306,938)
(4) Total Deferred tax assets nonadmitted	(5,093)	-	(5,093)	(40,737)	-	(40,737)	35,645	-	35,645
(5) Net admitted deferred tax assets / (liabilities)	1,327,116	(36,948)	1,290,168	1,561,462	-	1,561,462	(234,346)	(36,948)	(271,294)
(7) The Company has elected to admit deferred tax assets pursuant to paragraph 10.e. for the years ended 12/31/11 and 12/31/10.									
(8) The amount of admitted adjusted gross deferred tax assets admitted under each component of SSAP 10R:									
	Ordinary	12/31/11 Capital	Total	Ordinary	12/31/10 Capital	Total	Change Ordinary	Change Capital	Change Total
Admitted under paragraph 10.a. from prior years income taxes paid that can be recovered through loss carrybacks	1,183,427	-	1,183,427	1,445,517	-	1,445,517	(262,090)	-	(262,090)
Deferred tax asset, Paragraph 10.b., lesser of: Expected to be recognized within one year, admitted under paragraph 10.b.i	-	-	-	-	-	-	-	-	-
10% of adjusted capital and surplus, admitted under paragraph 10.b.ii	3,061,877	-	3,061,877	2,522,842	-	2,522,842	539,035	-	539,035
Admitted under paragraph 10.b. (lesser of b.i. or b.ii)	-	-	-	-	-	-	-	-	-
Adjusted gross DTAs offsetting existing DTLs, admitted under paragraph 10.c.	39,148	-	39,148	1,847	-	1,847	37,301	-	37,301
Total admitted from the application of paragraph 10.a - 10.c.	1,222,575	-	1,222,575	1,447,364	-	1,447,364	(224,790)	-	(224,790)
Admitted under paragraph 10.e.i. from prior years income taxes paid that can be recovered through loss carrybacks	106,742	-	106,742	115,945	-	115,945	(9,203)	-	(9,203)
Paragraph 10.e.ii., lesser of: Expected to be recognized within three years, admitted under paragraph 10.e.ii.a	-	-	-	-	-	-	-	-	-
15% of adjusted capital and surplus, admitted under paragraph 10.e.ii.b	4,592,815	-	4,592,815	3,784,262	-	3,784,262	808,553	-	808,553
Admitted under paragraph 10.e.ii. (lesser of e.ii.a or e.ii.b)	-	-	-	-	-	-	-	-	-
Adjusted gross DTAs offsetting existing DTLs, admitted under paragraph 10.e.iii.	-	-	-	-	-	-	-	-	-
Total admitted from the application of paragraph 10.e.	106,742	-	106,742	115,945	-	115,945	(9,203)	-	(9,203)
Total admitted adjusted gross deferred tax assets	1,329,317	-	1,329,317	1,563,309	-	1,563,309	(233,993)	-	(233,993)

The Company's risk-based capital level used for purposes of paragraph 10.d. is based on authorized control level risk based capital of \$4,524356 and total adjusted capital of \$33,323,111 as of December 31, 2011 and authorized control level risk based capital of \$5,030,242 and total adjusted capital of \$28,462,769 as of December 31, 2010.

NOTES TO FINANCIAL STATEMENTS

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

	Ordinary	12/31/11 Capital	Total	Ordinary	12/31/10 Capital	Total	Change Ordinary	Change Capital	Change Total
Increased (decreased) amount of admitted DTA- ordinary	106,742			115,945			(9,203)		(9,203)
Increased (decreased) amount of admitted DTA- capital		-			-			-	-
Increased (decreased) amount of admitted DTA- total			106,742			115,945			(9,203)

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

	Ordinary	12/31/11 Capital	Total	Ordinary	12/31/10 Capital	Total	Change Ordinary	Change Capital	Change Total
SSAP 10R, Paragraphs 10a, 10b and 10c	1,222,575	-	1,222,575	1,447,364	-	1,447,364	(224,790)	-	(224,790)
Admitted Deferred Tax Assets			195,789,194			157,835,388			37,953,806
Admitted Assets			33,216,369			28,346,824			4,869,545
Adjusted Statutory Surplus			1,183,427			1,445,517			(262,090)
Total Adjusted Capital from DTAs									
Increase due to SSAP 10R, Paragraphs 10e									
Admitted Deferred Tax Assets	106,742	-	106,742	115,945	-	115,945	(9,203)	-	(9,203)
Admitted Assets			106,742			115,945			(9,203)
Adjusted Statutory Surplus			106,742			115,945			(9,203)

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

	12/31/11	12/31/10	Change	12/31/10	12/31/09	Change
Net adjusted deferred tax asset (liability)	1,295,261	1,602,199	(306,938)	1,602,199	1,502,229	99,970
Tax-effect of unrealized gains and losses	(36,948)	-	(36,948)	-	-	-
Net tax effect without unrealized gains and losses	1,332,209	1,602,199	(269,991)	1,602,199	1,502,229	99,970
Change in deferred income tax			269,991			(99,970)

Unrecognized deferred tax liabilities

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

Current income taxes incurred consist of the following major components:

	12/31/11	12/31/10	Change
Current year tax expense (benefit)- ordinary income	998,751	2,034,968	(1,036,216)
Current year tax expense (benefit)- realized gains(losses)	1,240,220	589,896	650,324
Current year tax expense (benefit) incurred	2,238,971	2,624,864	(385,893)
Prior year adjustments	(104,251)	(41,601)	(62,650)
Current income taxes incurred	2,134,720	2,583,263	(448,543)

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

	Ordinary	12/31/11 Capital	Total	Ordinary	12/31/10 Capital	Total	Change Ordinary	Change Capital	Change Total
Deferred tax assets:									
Unearned Premium Reserve	1,079,672	-	1,079,672	1,345,074	-	1,345,074	(265,402)	-	(265,402)
Loss Reserve Discounting	226,397	-	226,397	248,183	-	248,183	(21,786)	-	(21,786)
Reserve for Assessments	27,011	-	27,011	10,789	-	10,789	16,222	-	16,222
Bond Impairments	-	-	-	-	-	-	-	-	-
Unrealized Losses	-	-	-	-	-	-	-	-	-
Nonadmitted asset	1,329	-	1,329	-	-	-	1,329	-	1,329
Total gross deferred tax assets	1,334,409	-	1,334,409	1,604,047	-	1,604,047	(269,637)	-	(269,637)
Statutory Valuation Allowance Adjustment	-	-	-	-	-	-	-	-	-
Total adjusted gross deferred tax assets	1,334,409	-	1,334,409	1,604,047	-	1,604,047	(269,637)	-	(269,637)
Nonadmitted deferred tax assets	(5,093)	-	(5,093)	(40,737)	-	(40,737)	35,645	-	35,645
Admitted deferred tax assets	1,329,317	-	1,329,317	1,563,309	-	1,563,309	(233,993)	-	(233,993)
Deferred tax liabilities:									
Accelerated Depreciation	-	-	-	-	-	-	0	0	0
Unrealized <Gains> Losses	-	(36,948)	(36,948)	-	-	-	-	(36,948)	(36,948)
Other	(2,200)	-	(2,200)	(1,847)	-	(1,847)	(353)	-	(353)
Total deferred tax liabilities	(2,200)	(36,948)	(39,148)	(1,847)	-	(1,847)	(353)	(36,948)	(37,301)
Net admitted deferred tax asset (liability)	1,327,116	(36,948)	1,290,168	1,561,462	-	1,561,462	(234,346)	(36,948)	(271,294)

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

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

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

	12/31/11 Total	12/31/10 Total
Current income taxes incurred	2,134,720	2,583,263
Change in deferred income tax (without tax on unrealized gains and losses)	269,991	(99,970)
Total income tax reported	2,404,710	2,483,292
Income before taxes	7,164,586	7,203,190
Expected income tax expense (benefit) at 35% statutory rate	2,507,605	2,521,117
Increase (decrease) in actual tax reported resulting from:		
a. Dividends received deduction	-	-
b. Tax-exempt income	-	(384)
c. Change in deferred taxes on nonadmitted assets	(1,329)	861
d. Return to Provision Adjustment	(101,566)	(38,302)
Total income tax reported	2,404,710	2,483,292

Operating loss carryforward

- (1) As of December 31, 2011, there are no operating loss, net capital loss or tax credit carryforwards available for tax purposes.
- (2) The amount of Federal income taxes incurred that are available for recoupment in the event of future net losses are:

	Ordinary	Capital	Total
2011	998,751	1,240,220	2,238,971
2010	1,930,717	589,896	2,520,613
2009	1,347,855	-	1,347,855

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

Consolidated federal income tax return

- (1) The Company is a member of the Munich-American Holding Corporation (MAHC) consolidated federal income tax return group. Schedule Y, Part 1 of the December 31, 2011 Annual Statement contains a listing of MAHC's other domestic subsidiaries. A listing of the MAHC companies that will be included in the 2011 consolidated federal tax return will be available upon request.
- (2) The Company has a written tax sharing agreement with Munich American Holding Corporation approved by the Company's Board of Directors, setting forth the allocation and payment of federal income tax. The consolidated tax provision or credit is allocated to the separate companies on the basis of separate return computations. If the current year results in a reported profit for the insurance company, the tax provision recorded is currently payable to the parent company. If the current year results in a reported loss for the insurance company, the tax credit recorded is currently payable from the parent company to the insurance company. Thus, in loss years, Federal income taxes are recouped immediately and not carried forward. Estimated settlements are performed quarterly with the final amount settled once the tax return is filed.

## NOTES TO FINANCIAL STATEMENTS

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

A & B) Not Applicable

C) There have been no changes in terms or methods used in determining transactions between affiliates from prior periods.

D) As of December 31, 2011, American Modern Select Insurance Company had a balance due from related parties in the amount of \$ 13,701,855 and a balance due to related parties in the amount of \$ 3,981,987.

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

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

G) All outstanding shares of American Modern Select Insurance Company are owned by American Modern Home Insurance Company, an insurance company domiciled in the State of Ohio.

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

I) The Company has no investments in subsidiaries.

J) The Company has no impaired investments in Subsidiary, Controlled and Affiliated Entities.

K & L) Not Applicable

### 11) Debt

A) The Company has no capital notes.

B) The Company has no outstanding debt.

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

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

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

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

A) The company has 10,000 shares of capital stock issued and outstanding as of December 31, 2011 with a par value of 300.00 per share.

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

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

D) Not Applicable

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

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

G) Not Applicable

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

I) Not Applicable

J) The portion of unassigned funds (surplus) represented by cumulative unrealized gains and losses is \$68,617.

K, L, & M) Not Applicable

NOTES TO FINANCIAL STATEMENTS

14) Contingencies

- A) The Company has no contingent commitments as of December 31, 2011.
- B) The Company receives various state assessments throughout the year but at this time is unable to estimate the possible amounts and the corresponding impact on the financials.
- C) The Company does not have any gain contingencies.
- D) The Company does not have any claims related extra contractual obligation or bad faith losses to report.
- E) The Company currently has no pending legal proceedings that are beyond the ordinary course of business which could have a material financial effect.

15) Leases

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

16) Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

The Company does not have any financial instruments with off-balance sheet risks or with concentrations of credit risk.

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

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

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

Not Applicable.

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

The Company does not have any managing general agents.

20) Fair Value Measurements

Description	Level 1	Level 2	Level 3	Total
Assets at Fair Value				
Bonds				
U.S. Governments	0	0	0	0
Industrial and Misc	0	2,033,565	0	2,033,565
Parent, Subsidiaries and Affiliates	0	0	0	0
Total Bonds	0	2,033,565	0	2,033,565
Total Assets at Fair Value	0	2,033,565	0	2,033,565

21) Other Items

- The Company has no extraordinary items or troubled debt restructuring items to report.
- The Company has no uncollectible asset balances to report and has not received any business interruption insurance recoveries.
- The Company has no State Transferable Tax Credits and has no subprime mortgage related risk exposure.

22) Events Subsequent

NOTES TO FINANCIAL STATEMENTS

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

23) Reinsurance

- A) The company has no unsecured reinsurance recoverable
- B) The Company has no unsecured reinsurance recoverable currently in dispute.
- C) The maximum amount of return commission due to or from reinsurers if all reinsurance contracts were cancelled at December 31, 2011 was:

(1)	ASSUMED		CEDED		NET	
	Premium	Commission	Premium	Commission	Premium	Commission
a. Affiliates	\$15,423,889	\$2,492,768	\$78,095,776	\$15,405,250	\$ (62,671,887)	\$ (12,912,482)

d. Direct Unearned Premium Reserve \$ 78,095,776

- (2) The Company currently has no additional or return commission due to or from reinsurers as a result of contractual obligations that calculate commission based on loss experience or any other profit sharing agreement.
- (3) The Company has no protected cell risks.
- D) The Company has not written off any uncollectible reinsurance during the year.
- E) The Company has not reported in its operations any commutation of reinsurance during the year.
- F) The Company does not have any retroactive reinsurance.
- G) The Company has no reinsurance accounted for as a deposit.
- H) The Company has not entered into any agreements that have qualified to receive P&C Run-off Accounting Treatment.

24) Retrospectively Rated Contracts & Contracts Subject to Redetermination

The Company does not have any accrued retrospective premium adjustments.

25) Change in Incurred Losses and Loss Adjustment Expenses

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

26) Intercompany Pooling Arrangements

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

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

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



NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

27) Structured Settlements

The Company has no structured settlements.

28) Health Care Receivables

The Company has no health care receivables

29) Participating Policies

The Company has no participating policies.

30) Premium Deficiency Reserves

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

31) High Deductibles

The Company has no high deductibles.

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

The Company discounts no unpaid losses or loss adjustment expense.

33) Asbestos/Environmental Reserves

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

34) Subscriber Savings Accounts

The Company does not have any subscriber savings accounts.

35) Multiple Peril Crop Insurance

The Company has no multiple peril crop insurance exposures.

36) Financial Guaranty Insurance

The Company has no financial guaranty insurance exposures.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES  
GENERAL

1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒ No ☐

1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☒ No ☐ N/A ☐

1.3

State Regulating?

Ohio

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☐ No ☒

2.2

If yes, date of change:

3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2009

3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2009

3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

12/17/2010

3.4

By what department or departments?  
Ohio Department of Insurance

3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?

Yes ☐ No ☐ N/A ☒

3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes ☐ No ☐ N/A ☒

4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business?

Yes ☐ No ☒

4.12 renewals?

Yes ☐ No ☒

4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business?

Yes ☐ No ☒

4.22 renewals?

Yes ☐ No ☒

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒

5.2

If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes ☐ No ☒

6.2

If yes, give full information:

7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ☒ No ☐

7.2

If yes,

7.21 State the percentage of foreign control;

100.0

%

7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1	2
Nationality	Type of Entity
Germany	Corporation

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? .....

Yes [ ] No [ X ]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.  
.....
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms? .....

Yes [ ] No [ X ]
- 8.4

If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.  
.....

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
.....	.....	NO	NO	NO	NO	NO
.....	.....					

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
KPMG LLC  
191 West Nationwide Blvd  
Suite 500  
Columbus, OH 43215-2568
- 10.1

Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? .....

Yes [ ] No [ X ]
- 10.2

If the response to 10.1 is yes, provide information related to this exemption:  
.....
- 10.3

Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? .....

Yes [ ] No [ X ]
- 10.4

If the response to 10.3 is yes, provide information related to this exemption:  
.....
- 10.5

Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? .....

Yes [ ] No [ ] N/A [ X ]
- 10.6

If the response to 10.5 is no or n/a, please explain  
The reporting entity does not exceed the premium threshold which requires it to establish an audit committee. ....
11.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
Jeffery Scott - Mercer Oliver Wyman Actuarial Consulting Inc.  
10 W. Broad Street, Suite 1100  
Columbus, OH 43215-3475 .....
- 12.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? .....

Yes [ ] No [ X ]
- 12.11

Name of real estate holding company ....
- 12.12

Number of parcels involved .....

0
- 12.13

Total book/adjusted carrying value .....

\$ .....0
- 12.2

If, yes provide explanation:  
.....
13.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 13.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?  
.....
- 13.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? .....

Yes [ ] No [ ]
- 13.3

Have there been any changes made to any of the trust indentures during the year? .....

Yes [ ] No [ ]
- 13.4

If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? .....

Yes [ ] No [ ] N/A [ X ]
- 14.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? .....

Yes [ X ] No [ ]
- (a)

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b)

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c)

Compliance with applicable governmental laws, rules and regulations;
- (d)

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e)

Accountability for adherence to the code.
- 14.11

If the response to 14.1 is No, please explain:  
.....
- 14.2

Has the code of ethics for senior managers been amended? .....

Yes [ ] No [ X ]
- 14.21

If the response to 14.2 is yes, provide information related to amendment(s).  
.....
- 14.3

Have any provisions of the code of ethics been waived for any of the specified officers? .....

Yes [ ] No [ X ]
- 14.31

If the response to 14.3 is yes, provide the nature of any waiver(s).  
.....

GENERAL INTERROGATORIES

- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance with a NAIC rating of 3 or below? Yes ☐ No ☒
- 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2	3	4
	Issuing or Confirming Bank Name	Circumstances That Can Trigger the Letter of Credit	Amount

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes ☒ No ☐
17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes ☒ No ☐
18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict with the official duties of such person? Yes ☒ No ☐

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes ☐ No ☒
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

20.11 To directors or other officers\$0

20.12 To stockholders not officers\$0

20.13 Trustees, supreme or grand (Fraternal Only)\$0
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

20.21 To directors or other officers\$0

20.22 To stockholders not officers\$0

20.23 Trustees, supreme or grand (Fraternal Only)\$0
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes ☐ No ☒
- 21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Rented from others\$0

21.22 Borrowed from others\$0

21.23 Leased from others\$0

21.24 Other\$0
- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes ☐ No ☒
- 22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment\$0

22.22 Amount paid as expenses\$0

22.23 Other amounts paid\$0
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes ☒ No ☐
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:\$0

INVESTMENT

- 24.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.3) Yes ☐ No ☒
- 24.2 If no, give full and complete information relating thereto  
Bonds on deposit with various state and regulatory bodies are described in Schedule E Part 3.
- 24.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)
- 24.4 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes ☐ No ☐ N/A ☒
- 24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs.\$0
- 24.6 If answer to 24.4 is no, report amount of collateral for other programs.\$0
- 24.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes ☐ No ☐ N/A ☒
- 24.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes ☐ No ☐ N/A ☒
- 24.9 Does the reporting entity or the reporting entity 's securities lending agent utilize the Master Securities lending Agreement (MSLA) to conduct securities lending? Yes ☐ No ☐ N/A ☒

GENERAL INTERROGATORIES

- 25.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.3).

Yes ☒ No ☐
- 25.2

If yes, state the amount thereof at December 31 of the current year:

25.21 Subject to repurchase agreements

25.22 Subject to reverse repurchase agreements

25.23 Subject to dollar repurchase agreements

25.24 Subject to reverse dollar repurchase agreements

25.25 Pledged as collateral

25.26 Placed under option agreements

25.27 Letter stock or other securities restricted as to sale

25.28 On deposit with state or other regulatory body

25.29 Other

\$

\$

\$

\$

\$

\$

\$

\$

\$

0

0

0

0

0

0

0

5,121,542

0

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 26.1

Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes ☐ No ☒
- 26.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes ☐ No ☐ N/A ☒

If no, attach a description with this statement.
- 27.1

Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes ☐ No ☒
- 27.2

If yes, state the amount thereof at December 31 of the current year.

\$ 0
28.

Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes ☒ No ☐

28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
State Street Bank & Trust Company	801 Pennsylvania Ave, Kansas City, MO 64105

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

- 28.03

Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year?

Yes ☐ No ☒
- 28.04

If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

28.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
112020	MEAG New York Corporation	540 Madison Ave, 6th FL, New York, NY 10022

GENERAL INTERROGATORIES

- 29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])?
- 29.2 If yes, complete the following schedule:
- Yes ☐ No ☒

1	2	3
CUSIP #	Name of Mutual Fund	Book/Adjusted Carrying Value
29.2999 - Total		0

- 29.3 For each mutual fund listed in the table above, complete the following schedule:

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds .....	123,665,163	125,946,933	2,281,770
30.2 Preferred stocks .....	0	0	0
30.3 Totals	123,665,163	125,946,933	2,281,770

- 30.4 Describe the sources or methods utilized in determining the fair values:  
Fair Values are based on quoted market prices by independent securities dealers, pricing services and index providers where available .....
- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? ..... Yes ☒ No ☐
- 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? ..... Yes ☐ No ☒
- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:  
Generally, prices for securities are obtained from pricing services or index providers. For securities whose prices are not available through pricing services or index providers, prices and/or spreads are obtained from other sources, i.e. broker-dealers or pricing vendors. Debt instruments are valued by broker-dealers, pricing services or index providers using standard market conventions. The market conventions utilize market quotations, market transactions in comparable instruments and various relationships between instruments, such as yield to maturity, dollar prices and spread prices in determining value. Cash instruments are priced with a matrix pricing system that utilizes market yields and spreads, pricing vendors or amortized cost .....
- 32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? ..... Yes ☒ No ☐
- 32.2 If no, list exceptions:  
.....

GENERAL INTERROGATORIES

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? .....\$ .....75,920

33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Independent Statistical .....	41,421
.....	.....

34.1 Amount of payments for legal expenses, if any? .....\$ .....0

34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....	.....
.....	.....

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? .....\$ .....0

35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
.....	.....
.....	.....