Report

of the

Examination of

American Family Mutual Insurance Company

Madison, Wisconsin

As of December 31, 2011

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, *Governor*
Theodore K. Nickel, *Commissioner*

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October 29, 2012

Honorable Theodore K. Nickel
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

AMERICAN FAMILY MUTUAL INSURANCE COMPANY
Madison, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of American Family Mutual Insurance Company (AFMIC or the company) was conducted in 2007 as of December 31, 2006. The current examination covered the intervening period ending December 31, 2011, and included a review of such 2012 transactions as deemed necessary to complete the examination.

The examination was conducted using a risk-focused approach in accordance with the NAIC Financial Condition Examiners Handbook, which sets forth guidance for planning and performing an examination to evaluate the financial condition and identify prospective risks of an insurer. This approach includes the obtaining of information about the company including corporate governance, the identification and assessment of inherent risks within the company, and the evaluation of system controls and procedures used by the company to mitigate those risks. The examination also included an assessment of the principles used and significant estimates made by management, as well as an evaluation of the overall financial statement presentation and management’s compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations.

The examination consisted of a review of all major phases of the company's operations and included the following areas:

History
Management and Control
Corporate Records
Conflict of Interest
Fidelity Bonds and Other Insurance
Employees' Welfare and Pension Plans
Territory and Plan of Operations
Affiliated Companies
Growth of Company
Reinsurance
Financial Statements
Accounts and Records
Data Processing

Emphasis was placed on the audit of those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance. The actuary reviewed the adequacy of the company’s loss and loss adjustment expense reserves. The actuary’s results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary’s conclusion.

Investment Review

The Capital Markets Bureau of the NAIC was engaged by the Office of the Commissioner of Insurance to perform a review of the invested assets portfolio of American Family Mutual Insurance Company and American Family Life Insurance Company as of December 31, 2011. The results of these reviews were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the findings of the reviews.

II. HISTORY AND PLAN OF OPERATION

American Family Mutual Insurance Company is a mutual property and casualty insurer, organized in 1927 under the provisions of ch. 611, Wis. Stat., as the Farmers' Mutual Automobile Insurance Company. The company changed its name to that presently used in 1963. The company is currently licensed in 23 states.

In 2011, the company wrote direct premium in the following states:

Wisconsin	$ 870,271,040	17.6%
Missouri	770,105,187	15.5
Minnesota	609,563,273	12.3
Illinois	470,462,059	9.5
Colorado	445,693,605	9.0
All Others	1,785,192,523	36.1
Total	$4,951,287,687	100.0%

The company is currently licensed in the following states:

Arizona	Colorado	Idaho
Illinois	Indiana	Iowa
Kansas	Minnesota	Missouri
Montana	Nebraska	Nevada
New Mexico	North Carolina	North Dakota
Ohio	Oregon	South Carolina
South Dakota	Utah	Washington
Wisconsin	Wyoming	

The major products marketed by the company are personal lines, including private passenger auto liability, auto physical damage and homeowner's multiple peril, which account for over 85% of the company's direct business. The company's products are marketed through a captive agency force of 3,457 full-time and 27 part-time agents. Agents are compensated by commissions with rates ranging from 6% to 15%, based on the type of business written and other variables. Agents are eligible to participate in bonus programs based on performance criteria throughout the calendar year, as well as promotional bonus programs that vary based on the promotion. Agents can also receive a bonus based on customer satisfaction.

The following table is a summary of the net insurance premiums written by the company in 2011. The growth of the company is discussed in the "Financial Data" section of this report.

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Fire	$ 5,656,544	$ 77,894	$ 713,554	$ 5,020,884
Allied lines	20,612,238	58,096	15,129,789	5,540,545
Farmowner's multiple peril	94,764,556	57,228	5,289,699	89,532,085
Homeowner's multiple peril	1,476,187,705	55,150,351	142,805,369	1,388,532,687
Commercial multiple peril	348,782,668	2,938,753	15,567,940	336,153,481
Inland marine	2,016,069	6,135	42,821	1,979,383
Medical professional liability – claims made	0	5,316	0	5,316
Earthquake	14,294,773	96,049	59,975	14,330,847
Group accident and health	9,543,754	4,032,934	0	13,576,688
Other accident and health	113,838,700	4,200,842	58,902,407	59,137,135
Worker's compensation	41,955,716	550,802	2,996,923	39,509,595
Other liability – occurrence	113,001,849	1,937,379	735,580	114,203,648
Other liability – claims made	2,713,146	238,199	0	2,951,345
Products liability – occurrence	185,911	938	0	186,849
Private passenger auto liability	1,511,022,720	249,128,224	0	1,760,150,944
Commercial auto liability	32,977,011	231,461	0	33,208,472
Auto physical damage	1,163,149,511	140,271,647	10,553,360	1,292,867,798
Fidelity	507,923	92,065	0	599,988
Surety	0	228,757	0	228,757
Burglary and theft	76,893	0	0	76,893
Reinsurance – non-proportional assumed property	0	8,400,907	0	8,400,907
Total All Lines	$4,951,287,687	$467,703,977	$252,797,417	$5,166,194,247

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors currently consists of 13 members, 3 of whom are current or retired members of company management. Directors are divided into three classes, with each class having as close to an equal number of directors as possible. The class of directors whose term expires is elected with each director serving for a three-year term. Officers are elected at the board's annual meeting. Members of the company's board of directors may also be members of other boards of directors in the holding company group.

Inside board members receive no additional compensation for their service. The outside board members currently receive a retainer fee of $12,500 per quarter and $1,500 per board meeting attended. Committee members receive a retainer fee of $1,250 per quarter and $1,500 per committee meeting attended. Committee chairs receive a retainer fee ranging from $3,750 to $5,000 per quarter, depending on the committee.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
David Anderson Middleton, WI	Retired Chairman and Chief Executive Officer American Family Mutual Insurance Company	2015
Londa Dewey Madison, WI	President QTI Group	2013
Leslie Howard Madison, WI	President and Chief Executive Officer United Way of Dane County	2014
Ted Kellner, CFA Mequon, WI	Chairman and Chief Executive Officer Fiduciary Management, Inc.	2013
Rakesh Khurana Newton, MA	Professor Harvard University - Harvard Business School	2014
Michael Knetter Madison, WI	President University of Wisconsin Foundation	2015
R. Scott Malmgren Palm Harbor, FL	Retired Partner Deloitte & Touche, LLP	2015
Walter Oliver McLean, VA	Senior VP – Human Resources & Administration General Dynamics Corporation	2014
Eliot Protsch Cedar Rapids, IA	President Wapsie Investment & Advisory, LLC	2014

Name and Residence	Principal Occupation	Term Expires
Jack Salzwedel Middleton, WI	Chairman and Chief Executive Officer American Family Mutual Insurance Company	2013
Daniel Schultz Monona, WI	President and Chief Operating Officer American Family Mutual Insurance Company	2014
Paul Shain Verona, WI	President and Chief Executive Officer Singlewire Software, LLC	2013
Thomas Zimbrick Madison, WI	Chief Executive Officer Zimbrick, Inc.	2015
Jerry Sue Thornton* Moreland Hills, OH	President Cuyahoga Community College	2012

*Jerry Sue Thornton was a director at year-end but retired from the board on March 6, 2012.

Officers of the Company

The officers appointed by the board of directors and serving at the time of this examination are listed below. Listed compensation is total gross earnings for services rendered to the American Family Mutual Insurance Group and includes amounts allocated to all affiliates.

Name	Office	2011 Compensation
Jack Salzwedel	Chairman and Chief Executive Officer	$3,190,155
Daniel Schultz	President and Chief Operations Officer	1,813,784
Daniel Kelly	Treasurer and Chief Financial Officer	797,243
David Holman	Secretary and Chief Legal Officer	638,401
Mark Afable	Executive Vice President	1,146,995
Gerry Benusa	Executive Vice President	929,492
Bradley Gleason	Executive Vice President	2,537,332
Jerome Rekowski	Executive Vice President	1,178,396
Mary Lynn Schmoeger	Executive Vice President	1,071,641
Peter Gunder	Senior Vice President - Investments	1,170,300
Kristin Kirkconnell	Chief Information Officer	896,871
Lisa Bacus	Executive Vice President	810,730
William Westrate	Executive Vice President	766,228
Richard Fetherston	Senior Vice President, Communications	718,546
Elizabeth Bergquist	Vice President - Education	504,263
Timothy Constien	Vice President - Claims Operations	590,893
Justin Cruz	Vice President - Actuarial	559,850
Carolyn Gilb	Vice President - Commercial-Farm/Ranch	558,959
Gregory Gisi	Vice President - Business Alliances & Risk Transfer	358,992
Kari Grasee	Vice President - Controller	709,872
Annette Knapstein	Vice President - Business & Workplace Services	653,973
Christopher Listau	Vice President - Sales-Central Region	591,737
Mario Menesse	Vice President - Product Lines Territory	344,006
Alan Meyer	Vice President - Life	1,099,559
Bernard McCartan	Vice President - Claims Legal	534,407
Julie Rupert	Vice President - Personal Lines	280,835

Name	Office	2011 Compensation
Scott Seymour	Vice President - Corp. Legal & Reg. Affairs	$ 587,192
Pamela Stampen	Vice President - Human Resources	496,245
Richard Steffen	Vice President - Sales-East Region	648,819
John Thedinga	Vice President - Sales-West Region	642,085
Mary Theilen	Vice President - P&C Loss Reserving	545,583
Dean Fiorelli	Assistant Treasurer	257,539
Ann Wenzel	Assistant Secretary	237,095

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The committees at the time of the examination are listed below:

Audit Committee
Eliot Protsch, Chair
Londa Dewey
Leslie Howard
R. Scott Malmgren
Thomas Zimbrick

Executive Committee
Jack Salzwedel, Chair
Ted Kellner
Walter Oliver
Eliot Protsch
Daniel Schultz
Thomas Zimbrick

Nominating and Governance Committee
Thomas Zimbrick, Chair
Londa Dewey
Leslie Howard
Rakesh Khurana
Michael Knetter
Jack Salzwedel
Daniel Schultz

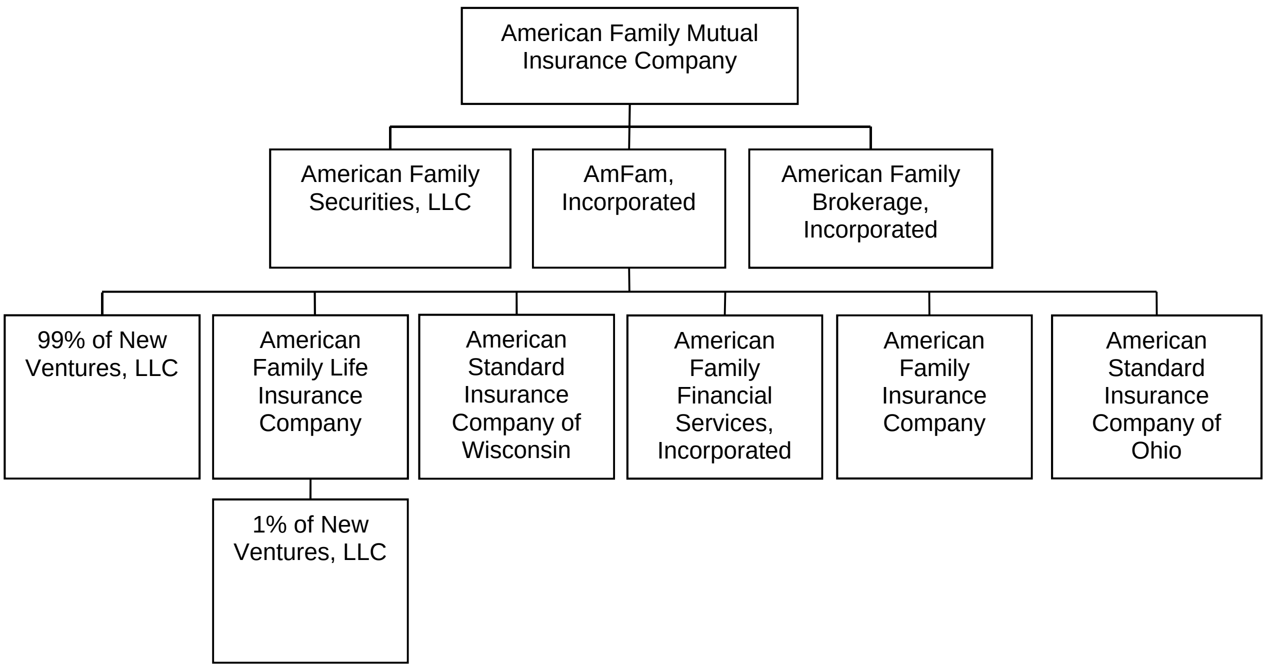
Finance Committee
Ted Kellner, Chair
David Anderson
Leslie Howard
Michael Knetter
R. Scott Malmgren
Jack Salzwedel
Daniel Schultz
Paul Shain
Daniel Kelly (non-voting member)

Compensation Committee
Walter Oliver, Chair
Londa Dewey
Rakesh Khurana
Eliot Protsch
Jack Salzwedel
Daniel Schultz
Paul Shain
Thomas Zimbrick

IV. AFFILIATED COMPANIES

American Family Mutual Insurance Company is a member of a holding company system referred to as the American Family Mutual Insurance Group. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the significant affiliates follows the organizational chart.

Organizational Chart
As of December 31, 2011



AmFam, Incorporated

AmFam, Incorporated, was incorporated in 1981 to serve as a downstream holding company for the American Family Mutual Insurance Group (American Family Group).

As of December 31, 2011, unaudited financial data for AmFam, Incorporated, reported assets of $1.02 billion, liabilities of $0 and equity of $1.02 billion. Operations for 2011 produced net income of $78.2 million on zero revenues.

American Family Brokerage, Incorporated

American Family Brokerage, Incorporated (AFBI) was incorporated in 1985 as an insurance agency and operates within the same states as its parent, AFMIC, and is also licensed in Delaware, South Carolina, and Arkansas. Its primary objective is to assist the company's agents in securing coverage for their clients when the coverage or limits are not available through the American Family Group.

As of December 31, 2011, unaudited GAAP financial data for AFBI reported assets of $3.76 million, liabilities of $2.50 million and equity of $1.26 million. Operations for 2011 produced net income of $311 thousand on revenues of $8.52 million.

American Family Securities, LLC

American Family Securities, LLC (AFS) was incorporated on July 14, 2000, with a capital contribution of $250,000 from AFMIC, as a limited liability company whose sole member is AFMIC. AFS, a non-clearing, registered broker dealer, is the principal underwriter for American Family Life Insurance Company's variable life and annuity products. On March 23, 2001, AFS was admitted into the National Association of Securities Dealers (NASD) to sell variable products for American Family Life Insurance Company (AFLIC).

As of September 2009, AFLIC no longer sells variable products. It continues to service the products already sold.

As of December 31, 2011, GAAP-basis audited financial statements for AFS reported assets of $18 thousand, liabilities of $0 and equity of $18 thousand. Operations for 2011 produced no net income on revenues of $5.64 million.

American Family Financial Services, Incorporated

American Family Financial Services, Incorporated (AFFS) was formed by American Family Group in 1969. Its original business purpose was to provide direct loans and leases, primarily to policyholders, through AFMIC's multi-line exclusive agency force. However, as of November 1, 2007, AFFS has discontinued writing new loans of any kind and is considering various options for the servicing and run-off of its existing loan portfolio.

As of December 31, 2011, unaudited GAAP financial data for AFFS reported assets of $24.62 million, liabilities of $22.09 million and equity of $2.53 million. Operations for 2011 produced a net loss of $2.01 million on revenues of $1.15 million.

New Ventures, LLC

New Ventures, LLC, was formed in 2010 and currently holds one strategic equity investment in a non-insurance entity. New Ventures, LLC, has no other assets or liabilities and does not engage in any other business operations other than that related to its single strategic equity investment. AmFam, Incorporated, is the managing member and AFLIC is a member.

As of December 31, 2011, unaudited GAAP financial data for New Ventures, LLC, reported assets of $3.56 million, liabilities of $0 and equity of $3.56 million. Operations for 2011 produced a net loss of $940 thousand on zero revenues.

American Family Life Insurance Company

American Family Life Insurance Company was incorporated in 1957. The company is currently licensed in 27 states and writes primarily ordinary life insurance products, including traditional life, universal life, and annuities. AFLIC markets its business through AFMIC's agency force.

As of December 31, 2011, statutory-basis audited financial statements for AFLIC reported assets of $4.60 billion, liabilities of $3.91 billion (both amounts include $254 million from separate accounts), and surplus of $691 million. Operations for 2011 produced net income of $69 million on premiums of $372 million.

American Standard Insurance Company of Wisconsin

American Standard Insurance Company of Wisconsin (ASIC) was incorporated in 1961. The company is currently licensed in 23 states and primarily provides insurance for motorcycles and nonstandard private passenger automobile risks. ASIC cedes 100% of its direct writings to AFMIC through a signed Quota Share Reinsurance Agreement. ASIC markets its business through AFMIC's agency force.

As of December 31, 2011, statutory-basis audited financial statements for ASIC reported assets of $360 million, liabilities of $61 million, and surplus of $299 million. Operations for 2011 produced net income of $10.8 million, consisting solely of investment income.

American Family Insurance Company

American Family Insurance Company (AFIC) was incorporated in Ohio in 1995. The company is licensed and writes business in both Ohio and Georgia. AFIC was founded for the purposes of operating efficiencies and state tax savings. AFIC cedes 100% of its direct writings to AFMIC under a signed Quota Share Reinsurance Agreement. AFIC offers lines of business identical to AFMIC and markets its business through AFMIC's agency force.

As of December 31, 2011, statutory-basis audited financial statements for AFIC reported assets of $28.3 million, liabilities of $13.7 million and surplus of $14.6 million. Operations for 2011 produced net income of $889 thousand, consisting solely of investment income.

American Standard Insurance Company of Ohio

American Standard Insurance Company of Ohio (ASICO) was incorporated in 1995. The company is licensed and writes business in both Ohio and Georgia. ASICO was founded for the purposes of operating efficiencies and state tax savings. ASICO cedes 100% of its direct writings to AFMIC under a signed Quota Share Reinsurance Agreement. ASICO offers lines of business identical to ASIC and markets its business through AFMIC's agency force.

As of December 31, 2011, statutory-basis audited financial statements for ASICO reported assets of $7.9 million, liabilities of $1.0 million and surplus of $6.9 million. Operations for 2011 produced a net income of $229 thousand, consisting solely of investment income.

Agreements with Affiliates

1. Intercompany Provision and Cost Allocation Agreement—Effective May 28, 2008, AFMIC entered into an agreement with AFLIC, ASIC, ASICO, AFIC, AFFS, AFBI, AFS and AmFam, Incorporated, for the provision of goods, management and other services provided by AFMIC directly or indirectly to subsidiaries. Settlement for services shall occur on a monthly basis.
2. Sale of Premium Receivables—Effective January 1, 2000, AFMIC entered into separate agreements with ASIC, AFIC and ASICO for the sale, assignment and transfer of each company's premium receivable. Receivables are purchased at the end of each month, and settlement occurs within five days thereafter.

3. Tax Allocation Agreement—Effective April 29, 2002, AFMIC entered into a tax allocation agreement with AFLIC, ASIC, ASICO, AFIC, AFFS, AFBI, AFS and AmFam, Incorporated. The agreement provides the basis for computation and the method of settlement of federal income tax payments and refunds within the American Family Mutual Group. Under this agreement, AFMIC prepares and files a consolidated federal income tax return that includes all affiliates of the holding company group. Final settlement is due within 30 days of the filing of the consolidated federal tax return. This agreement was amended as of December 23, 2003.

V. REINSURANCE

The company’s reinsurance program consists primarily of assumed business from affiliates and ceded catastrophe excess coverage through reinsurance agreements with unaffiliated domestic and foreign reinsurers. The company's reinsurance portfolio and strategy is described below. All contracts contained proper insolvency provisions.

Assumed Business

Assumed business is primarily intercompany reinsurance. AFMIC assumes 100% of the direct writings of ASIC, AFIC, and ASICO, through separate Quota Share Agreements. Business assumed from these affiliates consists primarily of homeowner’s and auto business, and represented approximately 9% of AFMIC’s gross written premium in 2011. Mandatory pools and other nonaffiliated assumed business represented approximately 0.01% of AFMIC’s gross written premium in 2011.

Affiliated Ceded Reinsurance

1.	Type:	Quota Share Reinsurance Agreement
	Reinsurer:	American Family Life Insurance Company (note that AFLIC subsequently cedes 100% of this business to Ability Insurance Company under a modified coinsurance agreement)
	Effective date:	July 1, 2010
	Scope:	Long-term care business
	Coverage:	100% of gross liabilities and obligations arising under or relating to long-term care policies.
	Initial reinsurance premium:	100% of the assets supporting the active life reserves, disabled life reserves, IBNR and unearned premium reserves maintained by AFMIC for issued long-term care policies as of the effective date.
	Commissions:	1.75% of premiums received

Nonaffiliated Ceded Reinsurance

1.	Type:	Property Facultative
	Reinsurer:	General Reinsurance Corporation
	Effective date:	April 1, 2011
	Scope:	Property business which is defined as apartments, condos, townhouses, hotels, motels, offices and mercantile risk.

	Retention	Limit of Reinsurer Liability
Condominium and Townhouse Association Policies		
With Earthquake Peril	$15,000,000	$53,750,000
Without Earthquake Peril	15,000,000	25,000,000
All Other Property Business		
With Earthquake Peril	15,000,000	40,000,000
Without Earthquake Peril	15,000,000	20,000,000

Premium: Rates range from 0.015 to 0.034 and are applied to each $100 of accepted coverage above $15 million. Rates are based on the size of the risk and the type of construction of the property risk.

Termination: Either party may terminate with 90 days' prior written notice of cancellation to the other party.

2. Type: Commercial Umbrella Liability

Reinsurer: Munich Reinsurance America, Inc.

Effective date: July 1, 2011

Scope: All policies with limits greater than $5 million and classified by the company as commercial liability umbrella or commercial blanket excess liability with certain named exclusions.

Retention: $5 million each occurrence

Coverage: $10 million excess of $5 million each occurrence

Premium: 100% of the subject gross net written premium

Commissions: 30% of the subject gross net written premium

Termination: Either party may terminate with 90 days' prior written notice of cancellation to the other party.

3. Type: Worker's Compensation Excess of Loss

Effective date: July 1, 2011

Scope: All business classified as Worker's Compensation and Employer's Liability

	First Layer	Second Layer	Third Layer
Retention: (Each occurrence)	$2 million	$5 million	$10 million
Coverage:	$3 million	$5 million	$10 million
Premium			
Deposit:	$1,142,832	$421,969	$421,969
Minimum:	914,266	337,575	337,575
Rate:	3.25%	1.20%	1.20%

(Rate is a % of net premium earned, subject to the minimum premium amount)

Intermediary:	Willis Re Inc. is recognized as the intermediary.
Termination:	The company may terminate subscribing reinsurer's percentage share at any time by giving 30 days' written notice to the subscribing reinsurer in the event that certain named circumstances occur.
Reinsurer:	As of January 1, 2011, participation was as follows:

	Participation Percentages		
Reinsurer	First Layer	Second Layer	Third Layer
Alterra Bermuda Limited	20.00%	20.00%	10.00%
Aspen Insurance Limited	0.00	0.00	10.00
Catlin Underwriting, Inc. (on behalf of Lloyd's Syndicate No. 2003)	30.00	32.50	20.00
Lloyd's Syndicate No. 1084	0.00	25.00	15.00
Lloyd's Syndicate No. 1400	0.00	0.00	10.00
Odyssey Reinsurance Company	20.00	10.00	0.00
Partner Reinsurance Company of the U.S.	5.00	7.50	5.00
Safety National Casualty Corporation	25.00	5.00	0.00
Underwriting Members of Lloyd's	0.00	0.00	30.00
Total	100.00%	100.00%	100.00%

4. | | |
|---|---|
| Type: | Quota Share Basis Coinsurance Agreement |
| Reinsurer: | American Republic Insurance Company |
| Effective date: | November 10, 2008 |
| Scope: | AFMIC major medical and Medicare supplement policies |
| Coverage: | 50% of all liabilities and obligations related to claims on covered policies incurred on or after the effective date. |
| Coinsurance premium: | 50% of the gross premiums received |
| Expense allowance: | The reinsurer will pay 50% of the coinsurance expense allowance, which ranges from 8% to 22%, based on type of policy and date of policy issuance. |

Catastrophe Reinsurance

AFMIC purchases property catastrophe excess of loss reinsurance coverage of 95% of $800 million for those events in excess of $300 million with one reinstatement. AFMIC utilizes a diverse group of high-quality domestic and foreign reinsurers.

Effective January 1, 2011, the company has a layered catastrophe aggregate stop-loss reinsurance program. The company retains an aggregate of $500 million in catastrophe claims ($290 million in excess of $10 million per event counts toward the aggregate retention). The first layer provides coverage for 95% of $225 million above the aggregate retention of

$500 million. In December 2010 the company initiated two layers of $100 million each above an aggregate $725 million attachment point, with a reinsurer funded by catastrophe bonds. Those contracts were exhausted by storm activity in 2011. In 2012, the company replaced the exhausted contracts with two layers of $100 million each above the aggregate $725 million attachment point, which are 66% and 26.75% subscribed, respectively. These agreements are summarized below.

1. Type: Property Catastrophe Excess of Loss

   Effective date: January 1, 2011

   Scope: All business classified by the company as fire, allied lines, farmowner's (property perils), homeowner's (property perils), business owners (property perils), commercial package policies (property perils), or automobile physical damage with certain named exclusions

	First Layer	Second Layer	Third Layer
Retention: (Per event)	$300 Million	$400 Million	$600 Million
Coverage:	95% of $100M	95% of $200M	95% of $500M
Premium			
Deposit:	$11,500,000	$12,500,000	$14,250,000
Minimum:	9,200,000	10,000,000	11,400,000
Rate:	0.5122%	0.5567%	0.6346%

   (Rate is a % of net premium earned, subject to the minimum premium amount)

   Intermediary: Aon Benfield, Inc., is recognized as the intermediary.

   Termination: The company may terminate subscribing reinsurer's percentage share at any time by giving 30 days' written notice to the subscribing reinsurer in the event that certain named circumstances occur.

   Reinsurer: As of January 1, 2011, participation was as follows:

	Participation Percentages		
Reinsurer	First Layer	Second Layer	Third Layer
Allied World Assurance Company, Ltd.	2.500%	2.000%	1.500%
Alterra Bermuda Limited	4.500	1.000	2.000
Amlin AG (Bermuda Branch)	1.000	1.374	4.500
Arch Reinsurance Ltd.	1.000	0.000	2.000
Argo Re Ltd.	1.250	1.000	1.500
Ariel Reinsurance Company Ltd.	6.000	4.250	4.100
Aspen Insurance Limited	5.000	1.250	0.500
AXIS Specialty Limited	5.000	3.000	3.000
Catlin Insurance Company Ltd.	0.000	3.100	0.000
Endurance Specialty Insurance Ltd.	4.000	3.750	0.750
Flagstone Reassurance Suisse SA	0.000	3.000	1.000

Hannover Ruckversicherung AG	2.000	2.000	4.500
Hiscox Insurance Company (Bermuda) Ltd.	2.500	2.000	2.500
Liberty Mutual Insurance Company	2.000	1.000	0.000
Mapfre Re Compania de Reaseguros, S.A	2.000	2.000	2.000
Montpelier Reinsurance Ltd.	4.000	3.250	3.250
Munich Reinsurance America, Inc.	0.000	1.250	2.000
Odyssey America Reinsurance Corporation	2.000	0.000	1.000
Paladin Catastrophe LLC (on behalf of Protective Insurance company)	6.500	0.500	0.000
Partner Reinsurance Company Ltd.	0.000	0.000	4.000
Platinum Underwriters Bermuda, Ltd.	3.000	4.500	3.000
QBE Reinsurance Corporation	2.500	1.000	1.000
R+V Versicherung AG	1.000	0.500	0.000
SCOR Global P&C (Zurich Branch)	1.000	1.000	0.500
Sirius International Insurance Corporation	2.250	2.000	0.400
Tokio Millennium Re Ltd.	0.000	1.000	7.500
Torus Insurance (Bermuda) Limited	0.750	0.750	0.500
Transatlantic Reinsurance Company	0.000	1.750	0.000
XL Re Ltd.	3.750	3.500	3.000
Underwriting Members of Lloyd's	29.500	43.276	39.000
Total	95.000%	95.000%	95.000%

2. Type: Catastrophe Aggregate Stop Loss

Effective date: January 1, 2011 (for the 24-month period through December 31, 2012)

Scope: All business classified by the company as fire, allied lines, farmowner's, homeowner's (including mobile home and boatowners), business owners, commercial package, or automobile physical damage (as respects windstorm, hail, tornado, hurricane, cyclone, brush fire, freeze, riot, winter storm and ice damming perils) with certain named exclusions.

Retention: \$290 million excess of \$10 million per event, which accumulates toward the \$500 million attachment point

Coverage: 95% of \$225 million excess of \$500 million

Attachment point: \$500 million

Premium: Deposit Premium – \$65,250,000
Rate – 2.9281% of net earned premium
Minimum Premium – \$52,200,000

Intermediary: Aon Benfield, Inc., is recognized as the intermediary.

Termination: The company may terminate subscribing reinsurer's percentage share at any time by giving 30 days' written notice to the subscribing reinsurer in the event that certain named circumstances occur.

Reinsurer:	As of January 1, 2011, participation was as follows:

Reinsurer	Participation Percentage
Amlin AG (Bermuda Branch)	1.500%
Argo Re Ltd.	3.500
Ariel Reinsurance Company Ltd.	6.000
Aspen Insurance Limited	5.000
AXIS Specialty Limited	10.000
DaVinci Reinsurance Ltd.	2.867
Endurance Specialty Insurance Ltd.	7.000
Hannover Ruckversicherung AG	0.750
Hiscox Insurance Company (Bermuda) Limited	5.333
Montpelier Reinsurance Ltd.	4.444
Odyssey American Reinsurance Corporation	7.500
Partner Reinsurance Company Ltd.	6.000
Renaissance Reinsurance Ltd.	4.300
SCOR Global P&C (Zurich Branch)	1.000
Tokio Millenium Re Ltd.	5.250
Torus Insurance (Bermuda) Limited	1.956
XL Re Ltd.	5.000
Underwriting Members of Lloyd's	17.600
Total	95.000%

3.	Type:	Catastrophe Aggregate Excess of Loss
	Reinsurer:	Mariah Re, Ltd.
	Issuance date:	First Layer – December 16, 2010 Second Layer – November 15, 2010
	Scheduled redemption date:	January 8, 2014
	Extended redemption date:	The date to which time the maturity of the notes may be extended following the occurrence of one or more named extension events, but in no event shall such a date be later than the final extended redemption date.
	Final extended redemption date:	July 8, 2015
	Scope:	The agreement covers losses to personal property and automobile, including any associated time element losses, caused by one or more covered events.

	First Layer	Second Layer
Attachment level:	$725 million	$825 million
Coverage:	$100M excess of $725M	$100M excess of $825M
Exhaustion level:	$825 million	$925 million
Interest spread:	8.50%	6.25%

Termination: The agreement may not be cancelled or terminated prior to the later of the scheduled redemption date or extended redemption date, except upon the occurrence of a named early redemption event.

Note: AFMIC had losses in 2011 that triggered redemption of both CAT bond contracts described above. Payments associated with these contracts were received by the company in 2011 and early 2012. These layers have been replaced with the contract described below.

4. Type: Supplemental Catastrophe Aggregate Stop Loss

Effective date: January 1, 2012

Scope: All business classified by the company as fire, allied lines, farmowner's, homeowner's (including mobile home and boatowners), business owners, commercial package, or automobile physical damage (as respects windstorm, hail, tornado, hurricane, cyclone, brush fire, freeze, riot, winter storm and ice damming perils) with certain named exclusions.

	First Layer	Second Layer
Retention:	$725 million	$825 million
Coverage:	$100M excess of $ 725M (66.0% subscribed)	$100M excess of $ 825M (26.75% subscribed)
Premium:		
Deposit:	$23,500,000	$15,000,000
Minimum:	18,800,000	12,000,000
Rate:	1.05256%	0.67185%

(Rate is a % of net premium earned, subject to the minimum premium amount)

Intermediary: Aon Benfield, Inc., is recognized as the intermediary.

Termination: The company may terminate subscribing reinsurer's percentage share at any time by giving 30 days' written notice to the subscribing reinsurer in the event that certain named circumstances occur.

Reinsurer: As of January 1, 2012, participation was as follows:

	Participation Percentages	
Reinsurer	First Layer	Second Layer
Amlin Bermuda	1.250%	1.250%
Montpelier Reinsurance Ltd.	7.500	0.000
Partner Reinsurance Company Ltd.	10.000	0.000
Ariel Reinsurance Company Ltd.	5.000	5.000
Hiscox Insurance Company (Bermuda) Limited	8.000	0.000
Hannover Ruckversicherung AG	0.000	2.500
Platinum Underwriters Bermuda, Ltd.	5.000	0.000
Underwriting Members of Lloyd's	20.750	18.000
XL Re Ltd.	5.000	0.000
Argo Re Ltd.	3.500	0.000
Total	66.000%	26.750%

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2011, annual statement. Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination."

American Family Mutual Insurance Company
Assets
As of December 31, 2011

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 6,094,289,021	$ 0	$ 6,094,289,021
Stocks:			
Common stocks	2,651,373,792	7,691,509	2,643,682,283
Real estate:			
Occupied by the company	243,635,996	0	243,635,996
Properties held for the production of income	7,195,167	0	7,195,167
Properties held for sale	83,215	0	83,215
Cash, cash equivalents, and short-term investments	510,338,610	0	510,338,610
Derivatives	101,625	0	101,625
Other invested assets	405,431,499	97,353	405,334,146
Receivables for securities	14,943,202	0	14,943,202
Investment income due and accrued	71,669,866	0	71,669,866
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	20,603,383	3,939,028	16,664,355
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	937,673,410	0	937,673,410
Reinsurance:			
Amounts recoverable from reinsurers	152,320,934	0	152,320,934
Net deferred tax asset	498,793,928	144,479,567	354,314,361
Guaranty funds receivable or on deposit	15,324,336	3,116,496	12,207,840
Electronic data processing equipment and software	149,790,299	129,535,083	20,255,216
Furniture and equipment, including health care delivery assets	57,737,456	57,737,456	0
Receivable from parent, subsidiaries, and affiliates	145,514,114	0	145,514,114
Write-ins for other than invested assets:			
Cash items	62,653	62,653	0
Advances	891,169	891,169	0
Prepaid expenses	1,876,899	1,876,899	0
Miscellaneous receivables	3,810,770	0	3,810,770
Reinsurance receivable	715,665	0	715,665
Total Assets	$11,984,177,009	$349,427,213	$11,634,749,796

American Family Mutual Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2011

Losses		$ 2,761,472,978
Reinsurance payable on paid loss and loss adjustment expenses		22,919,148
Loss adjustment expenses		798,584,547
Commissions payable, contingent commissions, and other similar charges		11,091,312
Other expenses (excluding taxes, licenses, and fees)		916,907,441
Taxes, licenses, and fees (excluding federal and foreign income taxes)		42,854,998
Current federal and foreign income taxes		27,284,530
Unearned premiums		1,979,808,627
Advance premium		47,310,592
Dividends declared and unpaid:		
Policyholders		1,217,398
Ceded reinsurance premiums payable (net of ceding commissions)		72,271,557
Amounts withheld or retained by company for account of others		10,180,124
Remittances and items not allocated		14,195,969
Provision for reinsurance		52,000
Drafts outstanding		109,656,593
Payable to parent, subsidiaries, and affiliates		76,442,514
Derivatives		1,581,822
Payable for securities		8,521,656
Write-ins for liabilities:		
All other liabilities		31,402,327
Capital contributions payable		41,683,665
Swap collateral payable		390,000
Total liabilities		6,975,829,798
Write-ins for special surplus funds:		
Non-assessable guaranty fund	$ 1,250,000	
SSAP 10R	80,532,722	
Unassigned funds (surplus)	4,577,137,276	
Surplus as regards policyholders		4,658,919,998
Total Liabilities and Surplus		$11,634,749,796

American Family Mutual Insurance Company
Summary of Operations
For the Year 2011

Underwriting Income		
Premiums earned		$5,271,420,878
Deductions:		
Losses incurred	$3,380,227,014	
Loss adjustment expenses incurred	626,607,425	
Other underwriting expenses incurred	1,581,328,720	
Total underwriting deductions		5,588,163,159
Net underwriting gain (loss)		(316,742,281)
Investment Income		
Net investment income earned	300,357,852	
Net realized capital gains (losses)	228,561,363	
Net investment gain (loss)		528,919,215
Other Income		
Net gain (loss) from agents' or premium balances charged off	(112,317)	
Finance and service charges not included in premiums	56,167,203	
Write-ins for miscellaneous income:		
Net billing plan write-offs	(15,818,437)	
Miscellaneous income	(16,592,691)	
Total other income		23,643,758
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		235,820,692
Dividends to policyholders		2,434,112
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		233,386,580
Federal and foreign income taxes incurred		15,295,330
Net Income		$ 218,091,250

American Family Mutual Insurance Company
Cash Flow
For the Year 2011

Premiums collected net of reinsurance			$5,272,926,341
Net investment income			353,721,998
Miscellaneous income			27,019,800
Total			5,653,668,139
Benefit- and loss-related payments		$4,109,512,711	
Commissions, expenses paid, and aggregate write-ins for deductions		1,692,667,012	
Dividends paid to policyholders		2,027,206	
Federal and foreign income taxes paid (recovered)		614,087	
Total deductions			5,804,821,016
Net cash from operations			(151,152,877)
Proceeds from investments sold, matured, or repaid:			
Bonds	$4,753,087,497		
Stocks	826,735,888		
Real estate	1,156,763		
Other invested assets	48,070,799		
Net gains (losses) on cash, cash equivalents, and short-term investments	(676,859)		
Total investment proceeds		5,628,374,088	
Cost of investments acquired (long-term only):			
Bonds	4,290,891,176		
Stocks	617,715,375		
Real estate	11,712,069		
Other invested assets	104,443,459		
Miscellaneous applications	14,125,468		
Total investments acquired		5,038,887,547	
Net cash from investments			589,486,541
Cash from financing and miscellaneous sources:			
Other cash provided (applied)		(23,733,193)	
Net cash from financing and miscellaneous sources			(23,733,193)
Reconciliation:			
Net change in cash, cash equivalents, and short-term investments			414,600,471
Cash, cash equivalents, and short-term investments:			
Beginning of year			95,738,139
End of Year			$ 510,338,610

American Family Mutual Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2011

Assets			$11,634,750,000
Less security surplus of insurance subsidiaries			933,353,000
Less liabilities			6,975,830,000
Adjusted surplus			4,580,280,000
Annual premium:			
Individual accident and health	$ 59,137,000		
Factor	15%		
Total		$ 8,870,550	
Group accident and health	13,577,000		
Factor	10%		
Total		1,347,700	
Lines other than accident and health	5,091,046,000		
Factor	20%		
Total		1,018,209,200	
Compulsory surplus (subject to a minimum of $ 2 million)			1,028,437,450
Compulsory Surplus Excess (or Deficit)			$ 3,551,842,550

Adjusted surplus (from above)	$ 4,580,280,000
Security surplus: (140% of compulsory surplus, factor reduced 1% for each $33 million in premium written in excess of $10 million, with a minimum factor of 110%)	1,131,281,195
Security Surplus Excess (or Deficit)	$ 3,448,998,805

American Family Mutual Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2011

The following schedule details items affecting surplus during the period under examination as reported by the company in its filed annual statements:

	2011	2010	2009	2008	2007
Surplus, beginning of year	$4,570,802,039	$3,920,721,999	$3,199,212,484	$4,144,704,923	$4,191,569,561
Net income	218,091,250	423,240,236	262,348,020	(550,894,850)	(46,371,479)
Change in net unrealized capital gains/losses	(8,082,374)	220,386,598	275,831,751	(345,549,255)	84,923,207
Change in net deferred income tax	2,648,204	(32,825,221)	(36,427,192)	253,024,684	36,895,701
Change in nonadmitted assets	(74,983,913)	88,921,721	79,893,514	(304,067,247)	(119,955,083)
Change in provision for reinsurance	241,000	531,000	(477,000)	(347,000)	0
Write-ins for gains and (losses) in surplus:					
SSAP 89 pension adjustment	(35,164,650)	(2,552,522)	(2,445,630)	2,341,329	(2,356,984)
SSAP 10R – income taxes	(14,631,558)	(47,621,772)	142,786,052	0	0
Surplus, End of Year	$4,658,919,998	$4,570,802,039	$3,920,721,999	$3,199,212,484	$4,144,704,923

American Family Mutual Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2011

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below.

	Ratio	2011	2010	2009	2008	2007
#1	Gross Premium to Surplus	116%	123%	145%	183%	145%
#2	Net Premium to Surplus	111	116	139	181	144
#3	Change in Net Premiums Written	-3	-2	-6	-3	1
#4	Surplus Aid to Surplus	0	0	0	0	0
#5	Two-Year Overall Operating Ratio	97	95	102*	105*	105*
#6	Investment Yield	3.0*	3.1	3.4	3.6	3.5
#7	Gross Change in Surplus	2	17	23	-23*	-1
#8	Change in Adjusted Surplus	2	17	23	-23*	-1
#9	Liabilities to Liquid Assets	73	71	77	83	73
#10	Agents' Balances to Surplus	0	0	1	1	1
#11	One-Year Reserve Development to Surplus	-3	-12	-6	-3	2
#12	Two-Year Reserve Development to Surplus	-15	-14	-5	2	3
#13	Estimated Current Reserve Deficiency to Surplus	-5	-6	-11	-14	-11

The exceptional result for ratio No. 5, Two-Year Overall Operating Ratio, is a result of significant weather-related and catastrophic losses that were incurred in 2006, 2007 and 2008, which produced significant underwriting losses for the company in each of these years.

The exceptional result for ratio No. 6, Investment Yield, was largely due to a combination of poor market results in 2011, as well as the company's investment portfolio consisting largely of lower interest bond holdings. Another contributing factor is that the company stock holdings include $1.02 billion in wholly owned stock subsidiaries, which do not pay any dividends.

The exceptional results for ratios No. 7, Gross Change in Surplus, and No. 8, Change in Adjusted Surplus, are due to a combination of poor underwriting and financial results in 2008. The company incurred large storm- and weather-related losses in 2008, which resulted in an underwriting loss of $766 million, as well as unrealized capital losses of $346 million due to the economic crisis in 2008.

Growth of American Family Mutual Insurance Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Underwriting Results	Net Income
2011	$11,634,749,796	$6,975,829,798	$4,658,919,998	$(316,742,281)	$ 218,091,250
2010	11,577,046,970	7,006,244,931	4,570,802,039	22,890,236	423,240,236
2009	11,172,462,446	7,251,740,447	3,920,721,999	(220,184,427)	262,348,020
2008	10,609,144,548	7,409,932,064	3,199,212,484	(766,107,310)	(550,894,850)
2007	11,342,683,336	7,197,978,413	4,144,704,923	(600,624,353)	(46,371,479)
2006	11,009,904,394	6,818,334,833	4,191,569,561	(628,419,515)	(103,568,663)

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2011	$5,418,991,664	$5,166,194,247	$5,271,420,878	76.0%	30.2%	106.2%
2010	5,599,952,610	5,324,289,869	5,390,054,288	72.0	27.2	99.2
2009	5,682,695,921	5,458,071,941	5,454,174,623	78.1	25.2	103.3
2008	5,840,052,807	5,786,238,304	5,816,621,062	88.5	24.3	112.8
2007	6,012,632,257	5,952,764,958	5,923,752,614	86.1	23.3	109.4
2006	5,977,724,070	5,904,973,363	5,886,003,713	86.1	23.9	110.0

The company has reported mixed financial results over the five-year examination period presented above. Assets have increased 5.7% to $11.63 billion, while capital and surplus has increased 11.1% to $4.66 billion. Gross premiums written have decreased 9.4% to $5.42 billion. The decrease in premiums was largely due to soft market conditions during the period under examination. Although the company has had a net income in the previous three years, it has sustained significant underwriting losses in five of the previous six years as shown above. The expense ratio has steadily increased since the prior examination, with its current level being 30.2%. The combined ratio has averaged 106.8% over the previous five-year period, with its current level being 106.2%.

Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2011, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There was one specific comment and recommendation in the previous examination report. The comment and recommendation contained in the last examination report and actions taken by the company are as follows:

1. Management and Control—It is recommended that the company retain detailed evidence of quality assurance testing process for applications placed in production in accordance with s. Ins 6.80 (4), Wis. Adm. Code.

   Action—Compliance.

Summary of Current Examination Results

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

Affiliated Balances

During the review of the Receivable to Parent, Subsidiaries and Affiliates and Payable to Parent, Subsidiaries and Affiliates balances, the examiners noted that the company is including federal income taxes receivable from and payable to its subsidiaries as part of the intercompany tax allocation agreement. The balance was not considered material for purposes of this examination. Pursuant to the NAIC Annual Statement Instructions-Property & Casualty, amounts related to intercompany tax-sharing agreements should be excluded from the Receivable to Parent, Subsidiaries and Affiliates and Payable to Parent, Subsidiaries and Affiliates balances and reported as Current Federal and Foreign Income Taxes. It is recommended that the company properly report income taxes receivable from subsidiaries and payable to subsidiaries as Current Federal and Foreign Income Taxes in accordance with the NAIC Annual Statement Instructions-Property & Casualty.

Investments

AFMIC is reporting an investment in AmFam, Incorporated, with book/adjusted carrying value of $1.018 billion on Schedule D, Part 2, Section 2. This investment consists of the following wholly owned subsidiaries:

AFLIC	$ 691,467,803
ASIC	299,005,578
AFIC	14,610,247
ASICO	6,908,606
AFFS	2,527,822
AmFam, Incorporated, Equity	3,899,771
Total	$1,018,419,827

AFMIC is reporting its investment in AmFam, Incorporated, using the “look-through” provision for unaudited noninsurance downstream holding companies, as described in SSAP 97, paragraph 22, which allows an insurer to admit the individual audited affiliated entities when certain conditions are met. AFMIC is properly nonadmitting the investment in AFFS, as well as the equity in AmFam, Incorporated, as these subsidiaries are not separately audited annually. While the company is properly reporting its investment in AmFam, Incorporated, using the “look-through” provision of SSAP 97, it did not properly complete note 10L in the Notes to the Financial Statements, which describes an investment in a downstream holding company, as well as disclosure of the “look-through” provision for an unaudited downstream holding company. It is recommended that the company complete Note 10L in the Notes to the Financial Statements with regard to disclosure of the application of the look-through approach provision of SSAP 97 in accordance with the NAIC Annual Statement Instructions-Property & Casualty.

VIII. CONCLUSION

American Family Mutual Insurance Company is a mutual property and casualty insurer organized in 1927 under the provisions of ch. 611, Wis. Stat., as the Farmers' Mutual Automobile Insurance Company. The company changed its name to that presently used in 1963. The company is currently licensed in 23 states.

The major products marketed by AFMIC are personal lines, including private passenger auto liability, auto physical damage and homeowner's multiple peril, which account for over 85% of the company's direct business. AFMIC also assumes 100% of the direct writings of its three wholly owned property and casualty subsidiaries, ASIC, AFIC, and ASICO, through separate Quota Share Agreements. Business assumed from these affiliates consists primarily of homeowner's and auto business and represented approximately 9% of AFMIC's gross written premium in 2011.

The current examination resulted in two recommendations and did not make any reclassification of account balances or adjustments to surplus as reported by the company in its year-end 2011 statutory financial statements. The examination determined that, as of December 31, 2011, the company had admitted assets of $11,634,749,796, liabilities of $6,975,829,798, and policyholders' surplus of $4,658,919,998.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 32 - Affiliated Balances—It is recommended that the company properly report income taxes receivable from subsidiaries and payable to subsidiaries as Current Federal and Foreign Income Taxes in accordance with the NAIC Annual Statement Instructions-Property & Casualty.

2. Page 33 - Investments—It is recommended that the company complete Note 10L in the Notes to the Financial Statements with regard to disclosure of the application of the look-through approach provision of SSAP 97 in accordance with the NAIC Annual Statement Instructions-Property & Casualty.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
David Jensen, CFE	Insurance Financial Examiner
Holly Poore	Insurance Financial Examiner
Angie Romaker	Insurance Financial Examiner
Amanda Schroeder	Insurance Financial Examiner
Derek Sliter	Insurance Financial Examiner
Victoria Chi, CISA, CISM, CRISC	IT Examiner
Tom Houston, CFE	IT Examiner
Jerry DeArmond, CFE	Loss Reserve Specialist
Fred Thornton, CFE	Quality Control Specialist

Respectfully submitted,

Stephen Elmer, CFE
Examiner-in-Charge

XI. SUBSEQUENT EVENTS

In June 2012, the company entered into an agreement to purchase Lumbermens Casualty Insurance Company (LCIC), as a “clean” shell company. LCIC has 40 full certificates of authority and three limited certificates of authority and had ceased writing business in 2003. LCIC was a subsidiary of the Illinois-based Lumbermens Mutual Casualty Company, which was placed in rehabilitation by order of an Illinois Circuit Court on July 2, 2012. The purchase of LCIC closed on October 1, 2012.

In September 2012, the company entered into an agreement to acquire PGC Holdings Corp. (Permanent General Companies) and its subsidiaries, including Permanent General Assurance Corporation, Permanent General Assurance Corporation of Ohio, and The General Automobile Insurance Company, Inc., from Capital Z Partners Ltd., the majority owner of PGC Holdings Corp. The Permanent General Companies specialize in nonstandard auto insurance and currently have policies in force in 25 states. The Permanent General Companies distribute their policies through the internet, call centers, some independent agents who specialize in nonstandard coverage, and partner retail store alliances. The acquisition of PGC Holdings Corp. closed on December 31, 2012.