Amendment to correct understated Income Tax Provision by $489,905 with a net effect on surplus of $70,809.

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PROPERTY AND CASUALTY COMPANIES - ASSOCIATION EDITION

ANNUAL STATEMENT

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

Chartis Insurance Company - Puerto Rico

NAIC Group Code 0012 (Current) 0012 (Prior) NAIC Company Code 31674 Employer's ID Number 66-0319193

Organized under the Laws of Commonwealth of Puerto Rico, State of Domicile or Port of Entry PR

Country of Domicile United States of America

Incorporated/Organized 10/27/1971 Commenced Business 07/08/1974

Statutory Home Office 250 Muñoz Rivera Avenue, Suite 500 (Street and Number), San Juan , PR 00918-0000 (City or Town, State and Zip Code)

Main Administrative Office 250 Muñoz Rivera Avenue, Suite 500 (Street and Number)

San Juan , PR 00918-0000 (City or Town, State and Zip Code), 787-767-6400 (Area Code) (Telephone Number)

Mail Address P O Box 10181 (Street and Number or P.O. Box), San Juan , PR 00908-1181 (City or Town, State and Zip Code)

Primary Location of Books and Records 250 Muñoz Rivera Avenue, Suite 500 (Street and Number)

San Juan , PR 00918-0000 (City or Town, State and Zip Code), 787-767-6400 (Area Code) (Telephone Number)

Internet Website Address www.chartisinsurance.com

Statutory Statement Contact Felipe Díaz (Name), 787-771-5511 (Area Code) (Telephone Number)

felipe.diaz@chartisinsurance.com (E-mail Address), 787-767-6703 (FAX Number)

OFFICERS

President	Francisco Díaz	Senior Vice President & CFO	Carlos González Rodríguez
Secretary	Brenda Gil	Treasurer	Fernando Agosto

OTHER

Jacqueline Barros Senior Vice President	Agustín Montalvo Senior Vice President	Enrique Padial Vice President
Nayda Badillo Vice President	Pablo Monroy Vice President	Lourdes Pérez Vice President
Angel Torres Vice President	Gustavo Sarabia Vice President	Marie Liza Rodríguez # Vice President
Ada Michelle Lugo Assistant Secretary	Miguel Diaz Assistant Treasurer	

DIRECTORS OR TRUSTEES

Francisco Díaz	Manuel Rodríguez	Carlos González Rodríguez
Alejandro Pedroza	Eduardo Mena #	Agustín Montalvo
Johan Slabbert #		

State of Commonwealth of Puerto Rico
County of San Juan 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.

Agustin Montalvo Senior Vice President	Carlos González Rodríguez Senior Vice President & CFO	Ada Michelle Lugo Secretary

Subscribed and sworn to before me this
_____ day of _____

a. Is this an original filing? ..... Yes [ ] No [X]
b. If no,
1. State the amendment number.....1
2. Date filed 06/01/2012
3. Number of pages attached..... 23

ASSETS

		Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1.	Bonds (Schedule D)	159,371,248		159,371,248	161,259,050
2.	Stocks (Schedule D):				
	2.1 Preferred stocks			0	0
	2.2 Common stocks	1,699,865		1,699,865	15,559
3.	Mortgage loans on real estate (Schedule B):				
	3.1 First liens			0	0
	3.2 Other than first liens			0	0
4.	Real estate (Schedule A):				
	4.1 Properties occupied by the company (less $ 0 encumbrances)			0	0
	4.2 Properties held for the production of income (less $ 0 encumbrances)			0	0
	4.3 Properties held for sale (less $ 0 encumbrances)			0	0
5.	Cash ($ 17,620,229 , Schedule E - Part 1), cash equivalents ($ 4,559,674 , Schedule E - Part 2) and short-term investments ($ 0 , Schedule DA)	22,179,903		22,179,903	27,694,060
6.	Contract loans (including $ premium notes)			0	0
7.	Derivatives (Schedule DB)			0	0
8.	Other invested assets (Schedule BA)			0	0
9.	Receivable for securities			0	0
10.	Securities lending reinvested collateral assets (Schedule DL)			0	0
11.	Aggregate write-ins for invested assets	0	0	0	0
12.	Subtotals, cash and invested assets (Lines 1 to 11)	183,251,016	0	183,251,016	188,968,669
13.	Title plants less $ charged off (for Title insurers only)			0	0
14.	Investment income due and accrued	1,232,513		1,232,513	1,416,089
15.	Premiums and considerations:				
	15.1 Uncollected premiums and agents' balances in the course of collection	10,920,697	2,477,418	8,443,279	13,116,714
	15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ earned but unbilled premiums)			0	0
	15.3 Accrued retrospective premiums			0	0
16.	Reinsurance:				
	16.1 Amounts recoverable from reinsurers	4,202,120		4,202,120	5,609,000
	16.2 Funds held by or deposited with reinsured companies			0	0
	16.3 Other amounts receivable under reinsurance contracts			0	0
17.	Amounts receivable relating to uninsured plans			0	0
18.1	Current federal and foreign income tax recoverable and interest thereon	0	0	0	0
18.2	Net deferred tax asset	4,062,854	4,062,854	0	0
19.	Guaranty funds receivable or on deposit			0	0
20.	Electronic data processing equipment and software	127,516		127,516	38,916
21.	Furniture and equipment, including health care delivery assets ($)	700,736	700,736	0	0
22.	Net adjustment in assets and liabilities due to foreign exchange rates			0	0
23.	Receivables from parent, subsidiaries and affiliates	1,114,082	1,114,082	0	0
24.	Health care ($) and other amounts receivable			0	0
25.	Aggregate write-ins for other than invested assets	1,522,329	1,522,329	0	0
26.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	207,133,863	9,877,419	197,256,444	209,149,388
27.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
28.	Total (Lines 26 and 27)	207,133,863	9,877,419	197,256,444	209,149,388
	DETAILS OF WRITE-INS				
1101.					
1102.					
1103.					
1198.	Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199.	Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)	0	0	0	0
2501.	Prepaids, Other Accounts Receivable	683,644	683,644	0	0
2502.	Other Assets	26,786	26,786	0	0
2503.	Guaranty fund assessments invoiced receivable	4,519	4,519	0	0
2598.	Summary of remaining write-ins for Line 25 from overflow page	807,380	807,380	0	0
2599.	Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	1,522,329	1,522,329	0	0

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
1.	Losses (Part 2A, Line 35, Column 8)	15,089,209	17,031,889
2.	Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	0	0
3.	Loss adjustment expenses (Part 2A, Line 35, Column 9)	7,632,048	7,121,496
4.	Commissions payable, contingent commissions and other similar charges	1,630,163	2,459,344
5.	Other expenses (excluding taxes, licenses and fees)	6,103,007	4,767,336
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	83,453	148,281
7.1	Current federal and foreign income taxes (including $ on realized capital gains (losses))	70,809	
7.2	Net deferred tax liability		
8.	Borrowed money $ and interest thereon $		
9.	Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of $ 36,578,000 and including warranty reserves of $ and accrued accident and health experience rating refunds including $ 0 for medical loss ratio rebate per the Public Health Service Act)	14,417,497	19,698,767
10.	Advance premium	80,537	121,321
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders		
12.	Ceded reinsurance premiums payable (net of ceding commissions)	5,945,000	6,267,000
13.	Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	0	0
14.	Amounts withheld or retained by company for account of others	969,487	1,052,320
15.	Remittances and items not allocated		
16.	Provision for reinsurance (Schedule F, Part 7)	2,262,924	2,329,108
17.	Net adjustments in assets and liabilities due to foreign exchange rates		
18.	Drafts outstanding		
19.	Payable to parent, subsidiaries and affiliates	241,249	552,269
20.	Derivatives		
21.	Payable for securities		
22.	Payable for securities lending		
23.	Liability for amounts held under uninsured plans		
24.	Capital notes $ and interest thereon $		
25.	Aggregate write-ins for liabilities	183,889	281,250
26.	Total liabilities excluding protected cell liabilities (Lines 1 through 25)	54,709,272	61,830,381
27.	Protected cell liabilities		
28.	Total liabilities (Lines 26 and 27)	54,709,272	61,830,381
29.	Aggregate write-ins for special surplus funds	49,982,098	48,151,764
30.	Common capital stock	2,600,000	2,600,000
31.	Preferred capital stock		
32.	Aggregate write-ins for other than special surplus funds	0	0
33.	Surplus notes	0	0
34.	Gross paid in and contributed surplus	17,512,000	17,512,000
35.	Unassigned funds (surplus)	72,453,074	79,055,243
36.	Less treasury stock, at cost:		
	36.1 shares common (value included in Line 30 $)		
	36.2 shares preferred (value included in Line 31 $)		
37.	Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	142,547,172	147,319,007
38.	TOTALS (Page 2, Line 28, Col. 3)	197,256,444	209,149,388
	DETAILS OF WRITE-INS		
2501.	Reserve for unearned portion of assessments recoverable	10	3,649
2502.	Deferred net commission	98,293	109,168
2503.	Other liabilities and unprocessed items	27,236	106,624
2598.	Summary of remaining write-ins for Line 25 from overflow page	58,350	61,809
2599.	Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	183,889	281,250
2901.	Reserve For Catastrophe Insurance Losses Pursuant To Chapter 25 Of Insurance Code Of Puerto Rico	49,982,098	48,151,764
2902.			
2903.			
2998.	Summary of remaining write-ins for Line 29 from overflow page	0	0
2999.	Totals (Lines 2901 thru 2903 plus 2998)(Line 29 above)	49,982,098	48,151,764
3201.			
3202.			
3203.			
3298.	Summary of remaining write-ins for Line 32 from overflow page	0	0
3299.	Totals (Lines 3201 thru 3203 plus 3298)(Line 32 above)	0	0

STATEMENT OF INCOME

		1 Current Year	2 Prior Year
	UNDERWRITING INCOME		
1.	Premiums earned (Part 1, Line 35, Column 4)	28,076,434	29,312,839
	DEDUCTIONS:		
2.	Losses incurred (Part 2, Line 35, Column 7)	5,411,351	4,365,021
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	3,973,248	3,442,057
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	12,982,839	16,169,591
5.	Aggregate write-ins for underwriting deductions	0	0
6.	Total underwriting deductions (Lines 2 through 5)	22,367,438	23,976,669
7.	Net income of protected cells		
8.	Net underwriting gain or (loss) (Line 1 minus Line 6 plus Line 7)	5,708,996	5,336,170
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	4,992,510	5,366,464
10.	Net realized capital gains or (losses) less capital gains tax of $ 27,174 (Exhibit of Capital Gains (Losses))	153,985	6,656
11.	Net investment gain (loss) (Lines 9 + 10)	5,146,495	5,373,120
	OTHER INCOME		
12.	Net gain (loss) from agents' or premium balances charged off (amount recovered $ 0 amount charged off $)		
13.	Finance and service charges not included in premiums		
14.	Aggregate write-ins for miscellaneous income	0	0
15.	Total other income (Lines 12 through 14)	0	0
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	10,855,491	10,709,290
17.	Dividends to policyholders		
18.	Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	10,855,491	10,709,290
19.	Federal and foreign income taxes incurred	1,269,340	3,062,708
20.	Net income (Line 18 minus Line 19)(to Line 22)	9,586,151	7,646,582
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	147,319,007	151,202,780
22.	Net income (from Line 20)	9,586,151	7,646,582
23.	Net transfers (to) from Protected Cell accounts		
24.	Change in net unrealized capital gains or (losses) less capital gains tax of $ 0	(540,343)	(255,055)
25.	Change in net unrealized foreign exchange capital gain (loss)		
26.	Change in net deferred income tax	(398,864)	326,565
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	(484,963)	6,007,496
28.	Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	66,185	329,720
29.	Change in surplus notes		
30.	Surplus (contributed to) withdrawn from protected cells		
31.	Cumulative effect of changes in accounting principles		
32.	Capital changes:		
	32.1 Paid in		
	32.2 Transferred from surplus (Stock Dividend)		
	32.3 Transferred to surplus		
33.	Surplus adjustments:		
	33.1 Paid in	0	0
	33.2 Transferred to capital (Stock Dividend)		
	33.3 Transferred from capital		
34.	Net remittances from or (to) Home Office		
35.	Dividends to stockholders	(13,000,000)	(25,000,000)
36.	Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)	0	0
37.	Aggregate write-ins for gains and losses in surplus	0	7,060,918
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)	(4,771,835)	(3,883,774)
39.	Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37)	142,547,172	147,319,007
	DETAILS OF WRITE-INS		
0501.			
0502.			
0503.			
0598.	Summary of remaining write-ins for Line 5 from overflow page	0	0
0599.	Totals (Lines 0501 thru 0503 plus 0598)(Line 5 above)	0	0
1401.	Lines 23 and 29 from 2000 Annual Statement		0
1402.	Other Income		0
1403.			
1498.	Summary of remaining write-ins for Line 14 from overflow page	0	0
1499.	Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above)	0	0
3701.	Lines 23 and 29 from 2000 Annual Statement		0
3702.	Reserve For Catastrophe Insurance Losses Pursuant To Chapter 25 Of Insurance Code Of Puerto Rico and Rule 72		7,060,918
3703.			
3798.	Summary of remaining write-ins for Line 37 from overflow page	0	0
3799.	Totals (Lines 3701 thru 3703 plus 3798)(Line 37 above)	0	7,060,918

EXHIBIT OF NON-ADMITTED ASSETS

		1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1.	Bonds (Schedule D)			0
2.	Stocks (Schedule D):			
	2.1 Preferred stocks			0
	2.2 Common stocks			0
3.	Mortgage loans on real estate (Schedule B):			
	3.1 First liens			0
	3.2 Other than first liens			0
4.	Real estate (Schedule A):			
	4.1 Properties occupied by the company		0	0
	4.2 Properties held for the production of income		2,639	2,639
	4.3 Properties held for sale			0
5.	Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)			0
6.	Contract loans			0
7.	Derivatives (Schedule DB)			0
8.	Other invested assets (Schedule BA)			0
9.	Receivables for securities			0
10.	Securities lending reinvested collateral assets (Schedule DL)			0
11.	Aggregate write-ins for invested assets	0	0	0
12.	Subtotals, cash and invested assets (Lines 1 to 11)	0	2,639	2,639
13.	Title plants (for Title insurers only)			0
14.	Investment income due and accrued			0
15.	Premiums and considerations:			
	15.1 Uncollected premiums and agents' balances in the course of collection	2,477,418	1,978,736	(498,682)
	15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			0
	15.3 Accrued retrospective premiums			0
16.	Reinsurance:			
	16.1 Amounts recoverable from reinsurers			0
	16.2 Funds held by or deposited with reinsured companies			0
	16.3 Other amounts receivable under reinsurance contracts			0
17.	Amounts receivable relating to uninsured plans			0
18.1	Current federal and foreign income tax recoverable and interest thereon	0	887,566	887,566
18.2	Net deferred tax asset	4,062,854	4,461,718	398,864
19.	Guaranty funds receivable or on deposit			0
20.	Electronic data processing equipment and software			0
21.	Furniture and equipment, including health care delivery assets	700,736	91,538	(609,198)
22.	Net adjustment in assets and liabilities due to foreign exchange rates			0
23.	Receivables from parent, subsidiaries and affiliates	1,114,082	508,939	(605,143)
24.	Health care and other amounts receivable			0
25.	Aggregate write-ins for other than invested assets	1,522,329	1,461,320	(61,009)
26.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	9,877,419	9,392,456	(484,963)
27.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0
28.	Total (Lines 26 and 27)	9,877,419	9,392,456	(484,963)
	DETAILS OF WRITE-INS			
1101.				
1102.				
1103.				
1198.	Summary of remaining write-ins for Line 11 from overflow page	0	0	0
1199.	Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)	0	0	0
2501.	Prepaids, Other Accounts Receivable	683,644	74,884	(608,760)
2502.	Transfer/Suspense Accounts	26,786	0	(26,786)
2503.	Guaranty fund assessments invoiced receivable	4,519	4,482	(37)
2598.	Summary of remaining write-ins for Line 25 from overflow page	807,380	1,381,954	574,574
2599.	Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	1,522,329	1,461,320	(61,009)

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Accounting Practices

The accompanying financial statements of Chartis Insurance Company – Puerto Rico (the "Company") have been prepared on the basis of accounting practices prescribed or permitted by the Insurance Department of the Commonwealth of Puerto Rico (the "IDCPR").

Insurance companies domiciled in the Commonwealth of Puerto Rico are required to prepare their statutory financial statements in accordance with the National Association Insurance Commissioners' (the "NAIC") Accounting Practices and Procedures Manual subject to any deviations prescribed or permitted by the IDCPR.

Difference between Puerto Rico prescribed or permitted practices and NAIC statutory accounting practices (NAIC SAP) which affect the Company are the deferred income tax arising from temporary difference resulting from contributions to the Catastrophe Loss Reserve. The effect of that item was to increase the policyholders' surplus on the Puerto Rico basis reported in these financial statements over that which would have been reported on the NAIC SAP basis. A reconciliation of the Company's net income and policyholders' surplus between the amount presented in the accompanying financial statements Commonwealth of Puerto Rico basis and NAIC SAP follow:

Description	December 31, 2011
Net income, Commonwealth of Puerto Rico basis	$ 9,586,151
Effect of Puerto Rico prescribed practice to not recognize deferred tax liability for catastrophe reserve trust fund contributions	-0-
Net income, NAIC SAP basis	$ 9,586,151
Policyholders' surplus, Commonwealth of Puerto Rico basis	$ 142,547,172
Effect of Puerto Rico prescribed practice to not recognize deferred tax liability for catastrophe reserve trust fund contributions	(7,582,335)
Policyholders' surplus, NAIC SAP basis	$ 134,964,837

B. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in these financial statements and notes. Actual results could differ from these estimates.

C. Accounting Policies

Direct, assumed and ceded premiums are earned over the terms of the related policies and reinsurance contracts. Unearned premiums are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rata methods for direct, assumed and ceded business, except for auto single interest premiums which are computed on the basis of the unexpired risk. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

Net investment income earned consists primarily of interest and dividends. Interest is recognized on an accrual basis and dividends are recognized on an ex-dividend basis. Net realized capital gains (losses) are recognized on a specific identification basis when securities are sold, redeemed or otherwise disposed. Realized capital losses include write-downs for impairments considered to be other than temporary.

Real estate investments are classified in the balance sheet as properties held for the production of income. Properties held for the production of income are carried at the lower of depreciated cost or fair value less estimated cost to sell. This value would also be net of any encumbrance. The fair values of properties held for sale are based upon quoted market prices, if available. If quoted market prices are unavailable, fair values are based upon market appraisals. Fair values for these properties will be immediately determined whenever circumstances indicate that the carrying amounts may not be recoverable.

In addition, the Company uses the following accounting policies:

1. Short-term investments are stated at amortized value using the interest method.

2. Investment grade bonds not backed by other loans are stated at amortized value using the interest method. Non-investment grade bonds with NAIC designations of 3 through 6 are stated at the lower of amortized value or fair value.

3. As of December 31, 2011 and 2010, the Company had no investments in common stocks, other than that in stocks of subsidiary and affiliates.

4. Investment grade perpetual preferred stocks are stated at fair value. Non-investment grade preferred stocks are stated at the lower amortized value or fair value.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Cont.)

5. As of December 31, 2011 and 2010, the Company had no mortgage loans on real estate.

6. Investment grade loan-backed securities are stated at amortized value. The retrospective adjustment method is used to value all loan-backed securities. Non-investment grade loan-backed securities are stated at lower of amortized value or fair value.

7. The Company's ownership in subsidiaries is stated at GAAP equity value adjusted to a statutory basis of accounting.

8. As of December 31, 2011 and 2010, the Company had no investments in joint ventures or in partnerships.

9. As of December 31, 2011 and 2010, the Company had no derivatives.

10. The Company does not anticipate investment income when evaluating the need for premium deficiency reserves.

11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amounts are adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined.

12. The Company has a written capitalization policy for prepaid expenses and purchase 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 does not write major medical insurance with prescription drug coverage.

14. Effective on June 1, 1998, the Commissioner of Insurance of the Commonwealth of Puerto Rico issued a statutory accounting policy regarding the method to account for premiums written on auto personal lines. The accounting policy requires that premiums related to the first 365 days to be accounted as premiums written subject to earned premiums computation. The premium related to the period over 365 days is accounted as premiums paid in advance. The premiums paid in advance as of December 31, 2011 and 2010 amounted to $80,537 and $121,321, respectively. The commissions related to first 365 days of the period of the policy are accounted as commission expense. Commissions related to the period over 365 days is paid and recorded as commission expense on the policy renewal date.

15. Salvage and subrogation recoveries are not recorded until cash is received.

Note 2. Accounting Changes and Corrections of Errors

A. Accounting Changes Other than Codification and Correction of Errors

Not applicable

Note 3. Business Combinations and Goodwill

A. Statutory Purchase Method

Not applicable

B. Statutory Merger

Not applicable

C. Impairment Loss

Not applicable

Note 4. Discontinued Operations

A. Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 5. Investments

A. Mortgage Loans
Not applicable

B. Debt Restructuring

Not applicable

C. Reverse Mortgages

Not applicable

D. Loan-Backed Securities

Not applicable

E. Repurchase Agreements

Not applicable

F. Write-down for Impairments of Real Estate and Retail Land Sales

None

G. Low Income Housing Tax Credits

Not applicable

Note 6. Joint Ventures, Partnerships and Limited Liability Companies

A. Detail for Those Greater than 10% of Admitted Assets

Not applicable

B. Write Downs for Impairments of Joints Ventures, Partnerships and LLCs

Not applicable

Note 7. Investment Income

A. Accrued Investment Income

The Company does not admit investment income due and accrued if amounts are over 90 days past due.

B. Amounts Non Admitted

The total amount of due and accrued investment income excluded was $0 for 2011 and 2010.

Note 8. Derivative Instruments

None

NOTES TO FINANCIAL STATEMENTS

Note 9. Income Taxes

A. Components of net deferred tax assets

	December 31, 2011	December 31, 2010
1. Total gross deferred tax assets	$ 4,062,854	$4,461,718
2. Total gross deferred tax liabilities	0	0
3. Net deferred tax assets	4,062,854	4,461,718
4. Non-admitted deferred assets	4,062,854	4,461,718
5. Net admitted deferred tax assets	0	$ 0
6. Increase (decrease) in non-admitted deferred tax assets	$ (398,864)	$ 326,577

B. Unrecognized deferred tax liabilities

Not applicable.

C. Current tax and change in deferred tax

The provisions for income taxes incurred on earnings for the years ended December 31 are:

	2011	2010
Puerto Rico income taxes	$ 1,269,340	$ 3,062,708
Realized capital gains tax	27,174	1,175
Puerto Rico total income taxes incurred	$ 1,296,514	$ 3,063,883

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets are as follows:

	December 31, 2011	December 31, 2010
Deferred tax assets:		
Post-retirement benefits	$ 979,288	$1,494,740
Non-Admitted Assets	1,744,370	1,575,808
Bad debt reserve	1,151,839	1,348,192
Other deferred tax assets	187,357	42,978
Total deferred tax assets	4,062,854	4,461,718
Non admitted deferred tax asset	4,062,854	4,461,718
Net admitted deferred tax assets	$ 0	$ 0

The changes in net deferred income taxes are composed of the following:

	December 31, 2011	December 31, 2010	Change
Total gross deferred tax assets	$4,062,854	$4,461,718	$ (398,854)
Total gross deferred tax liabilities	0	0	0
Net deferred tax asset	$4,062,854	$4,461,718	$ (398,854)

D. Reconciliation of Puerto Rico income taxes to actual effective rate

Puerto Rico income taxes

Property and casualty companies incorporated in the Commonwealth of Puerto Rico are taxed based on net income as computed on the basis of the Company's statutory accounting practices. Such income is adjusted for various temporary and permanent differences, mainly exempt interest income and certain amounts allocated to the write in surplus. The Company is also subject to an alternative minimum tax which is calculated based on a formula established by existing laws.

NOTES TO FINANCIAL STATEMENTS

Note 9. Income Taxes (Cont.)

United States Virgin Islands income taxes

The Company is also engaged in business in the United States Virgin Island (USVI). Any income tax paid in this jurisdiction is taken as a foreign tax credit for Puerto Rico income tax purpose since, as a domestic corporation, the Company is required to report all its worldwide income in Puerto Rico.

	2011	Effective Tax Rate	2010	Effective Tax Rate
Provision Computed at statutory rate	$3,264,800	30.0%	$4,078,472	38.1%
(Reduction) increase in income taxes:				
Contribution to Catastrophic Fund	(194,603)	(1.8%)	(269,944)	(2.0%)
Exempt investment income	(1,505,993)	(13.8%)	(2,026,292)	(18.9%)
Change in non-admitted assets	(168,562)	(1.5%)	1,310,385	12.2%
85% JUA Dividend Deduction	(74,627)	(0.7%)	(103,744)	(1.0%)
Other	375,353	3.4%	(306,125)	(2.9%)
Total	$1,695,368	15.6%	$2,737,306	25.6%
Federal and foreign income taxes incurred	$ 1,269,340	11.7%	$ 3,062,708	28.6%
Realized capital gain	27,174	0.2%	1,175	0.0%
Change in net deferred income taxes	398,854	3.7%	(326,577)	(3.0%)
Total statutory income tax	$1,695,368	15.6%	$2,737,306	25.6%

E. Operating loss and tax credit carry-forwards

1. No regular USVI tax was paid for 2011 and 2010 because the Company has a net operating loss available to offset taxable income. A branch profit tax in the amount of $5,228 was paid with respect to 2010; no branch profit tax has been assessed for 2011. At December 31, 2011, the Company's net operating losses available to offset USVI future taxable income, if any, amount to:

Year	Amount	Expiration Date
1998	$ 385,031	2018
2000	33,621	2020
2002	892,980	2022
	$ 1,311,632	

2. The following is the income tax expense for 2011 and 2010 that is available for recoupment in the event of future net losses:

   Not applicable

F. Consolidated Federal Income Tax Return

   Not applicable

Note 10. Information Concerning Parent. Subsidiaries and Affiliates

A. Nature of Relationships

American International Group, Inc. ultimately owns the Company. The Company assumes reinsurance from and cedes reinsurance to affiliated companies.

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

The following table summarizes the transactions occurring during the year ended December 31, 2011 by the Company with affiliates (excluding reinsurance transactions, any non-insurance transaction which involve less than ½ of 1% of the total admitted assets of the Company, and cost allocation transactions):

Date of Transaction	Explanation of Transaction	Name of Insurer	Name of Affiliate	Statement Value of Assets Transferred	Description
2011	UNACO Fees	AIICO	UNACO	$4,004,477	Claims adjustment Fees

NOTES TO FINANCIAL STATEMENTS

Note 10. Information Concerning Parent. Subsidiaries and Affiliates (Cont.)

C. Changes in Terms of Intercompany Arrangements

The Company did not change its methods of establishing terms regarding any affiliate transaction during the year ended December 31, 2011.

D. Amount Due to or from Related Parties

At December 31, 2011, the Company had the following balances receivables from affiliates (payables to affiliates), excluding reinsurance transactions:

AMERICAN HOME ASSURANCE COMPANY – CARIBBEAN BRANCH	$ 70
GENERAL AMERICAN LIFE	3,489
NEW HAMPSHIRE INSURANCE COMPANY	(1,265)
CHARTIS INSURANCE AGENCY – PUERTO RICO	181,909
AIU NORTH AMERICA DIVISION	(85,044)
CHARTIS LATIN AMERICA II	922,973
CHARTIS INTERNATIONAL	(149,299)
NET TOTAL RECEIVABLE	**$ (872,833)**

E. Guarantees or Contingencies for Related Parties

Not applicable

F. Management, Service Contracts, Cost Sharing Arrangements

In the ordinary course of business the Company utilizes the services of affiliated companies for claims management and lease of space for the Company's operation. Also, the Company provides data processing services and other miscellaneous services to affiliated companies.

G. Nature of Relationships that Could Affect Operations

American International Group, Inc. (AIG) ultimately owns the company.

H. Amount Deducted for Investment in Upstream Company

Not applicable.

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

Not applicable

J. Write down for Impairments of Investments in Affiliates

Not applicable

K. Foreign Subsidiary valued Using CARVM

Not applicable

L. Downstream Holding Company Valued Using Look-Through Method

Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 11. Debt

A. Debt including capital notes

Not applicable

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

A. Defined Benefit Plans

The Parent sponsors a non-contributory defined benefit plan covering substantially all employees of the Company. See Note 12D.

B. Defined Contribution Plans

Not applicable

C. Multiemployer Plans

1. Post Retirement Benefits Other than Pensions:

The Company provides health and life insurance benefits for retired employees and certain dependents when the employee become eligible for these benefits by satisfying plan provisions which include certain age and / or service requirements. The Company does not pre-fund these plans.

Generally no contributions are required from retirees and the medical plan contains other cost sharing features such as deductibles, coinsurance and Medicare coordination.

The maximum life insurance benefit is $10,000.

The costs of post retirement benefits are recognized on an accrual basis in accordance with guidelines prescribed by the NAIC. Such guidelines require the recognition of a post retirement benefit obligation for current retirees and fully eligible or vested employees.

NOTES TO FINANCIAL STATEMENTS

Note 12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Post-Retirement Benefit Plans (Cont.)

The following tables set forth the change in post retirement benefit obligation, change in plan assets, components of net periodic benefit costs and weighted average assumptions associated with post retirement benefits (amount in thousands):

	2011	2010
Change in accumulated benefit obligation during the year		
Vested postretirement obligation at beginning of year	$ 3,529	$ 3,100
Eligibility cost	164	214
Interest cost	182	168
Actuarial (gain) loss	280	409
Gain due to plan change	(240)	(293)
Benefits paid	(97)	(69)
Vested postretirement obligation at end of year	$ 3,818	$ 3,529
Change in plan assets		
Fair value of plan assets at beginning of year	$ -	$ -
Employer contributions	97	69
Benefits paid	(97)	(69)
Fair value of plan assets at end of year	$ -	$ -
Reconciliation of the Funded Status		
Vested benefit obligation at end of year	$ (3,818)	$ (3,529)
Unamortized transition obligation		
Unrecognized prior service cost	(1,665)	(1,520)
Unrecognized loss	2,205	2,023
Funded status	$ (3,278)	$ (3,026)
Components of net periodic benefit cost		
Eligibility cost	$ 164	$ 214
Interest cost	182	168
Amortization of prior service cost	(95)	(95)
Net amortization of transition obligation	-	-
Net amortization of unrecognized loss from prior years	98	85
Net periodic benefit cost	$ 349	$ 372

	2011	2010
Weighted-average assumptions as of December 31,		
Discount rate	5.25%	6.00%
Rate of compensation increase	4.00%	4.00%
Expected return on plan assets	n/a	n/a
Reconciliation of accrued benefit cost		
Accrued benefit cost at beginning of year	$ (3,026)	$ (2,722)
Actual contribution	97	68
Net periodic benefit cost	(349)	(372)
Accrued benefit cost at the end of the year	$ (3,278)	$ (3,026)

Net effect of a one percentage increase in the assumed health care cost trend rates at end of year		
(a) APBO - Dollar change	$ 477	$ 497
(b) Service cost and interest cost - Dollar change	$ 59	$ 65
Net effect of a one percentage decrease in the assumed health care cost trend rates at end of year		
(a) APBO - Dollar change	$ (399)	$ (415)
(b) Service cost and interest cost - Dollar change	$ (48)	$ (53)
Postretirement obligation for non-vested participants only at December 31,	$ 2,476	$ 1,845

Projected benefit payments years ending December 31,	
2012	$ 115
2013	$ 122
2014	$ 129
2015	$ 142
2016	$ 150
2017 and through 2021	$ 972

NOTES TO FINANCIAL STATEMENTS

Note 12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Post-Retirement Benefit Plans (Cont.)

2. Savings Plan

Several AIG affiliated companies operating in Puerto Rico sponsor a qualified savings plan under Section 165(a) of the Puerto Rico Income Tax Act 1954, as amended. The plan incorporates a "cash or deferred arrangement„ intended to qualify under the income tax laws by which employees may elect to make pre-tax contributions to the Plan. Substantially all regular full-time employees of the Company are eligible to participate on a voluntary basis after completing certain service and age requirements.

Each plan participant is eligible after six month of service, (one enrollment per year during the month of October) to make basic contributions the Plan of not less than 1%, nor more than 10% of base pay plus overtime and sales commissions or $8,000 whichever is less, on a pre-tax basis. The Company makes matching contributions equivalents to 33 1/3%, 50%, and 100% of participants contributions (up to 6% of the participants' annual *salary)* for employees with up to 5, from 6 to 15 and over 15 years of service, respectively.

D. Consolidated/Holding Company Plans

1. Employee Retirement Plan

Employees of AIG, the ultimate holding company, its subsidiaries and certain affiliated companies, including employees in foreign countries, are generally covered under various funded and insured pension plans. Eligibility for participation in the various plans is based on either completion of a specified period of continuous service or date of hire, subject to age limitation.

AIG's U.S. retirement plan is a qualified, non-contributory defined benefit retirement plan which is subject to the provisions of the Employee Retirement Income Security Act of 1974. All employees of AIG and most of its subsidiaries and affiliates who are regularly employed in the United States, including certain U.S. citizens employed abroad on a U.S. Dollar payroll, and who have attained age 21 and completed twelve months of continuous service are eligible to participate in this plan. An employee with 5 or more years of service is entitled to pension benefits beginning at normal retirement age 65. Benefits are based upon a percentage of average final compensation multiplied by years of credited service limited to 44 years of credited service. The average final compensation is subject to certain limitations. The employee may elect certain options with respect to their receipt of their pension benefits including a joint and survivor annuity. An employee with 10 or more years of service may retire early from age 55 to 64. An early retirement factor is applied resulting in a reduced benefit. If an employee terminates with less than 5 years of service, such employee forfeits their right to receive any pension benefits accumulated thus far.

Annual funding requirements are determined based on the "projected unit credit" cost method, which attributes a pro rata portion of the total projected benefit payable at normal retirement to each year of credited service.

In 2011 and 2010, AIG allocated defined benefit expenses to the Company and its affiliates. The Company's allocated share of net expense for the qualified defined benefit pension plan was $440,433 and $303,731 for 2011 and 2010, respectively.

2. Deferred Compensation Plan

Some of the Company's officers and key employees are participants in AIG's stock plans of 1991 and 1999. Details of these plans are published in AIG's form 10-K.

E. Post Employment Benefits and Compensated Absences

The Company has no obligations to current or former employees for benefits after their employment but before their retirement other than for compensation related to earned vacation. The liability for earned but not taken vacation has been accrued.

Note 13. Capital and Surplus, Dividend Restrictions and Quasi Reorganizations

A. Outstanding Shares

The Company has 260,000 shares authorized, issued and outstanding with a par value of $10. The Company has no preferred stock authorized, issued or outstanding.

B. Dividend Rate of Preferred Stock

Not applicable

C. Dividends Restrictions

Under applicable Puerto Rico insurance laws and regulations, the Company is required to maintain minimum capital and surplus of not less than $2,600,000. In addition, such laws and regulations require minimum capital of at least one third of the premiums written. The payment of dividends is limited to unassigned surplus using statutory accounting principles.

NOTES TO FINANCIAL STATEMENTS

Note 13. Capital and Surplus, Dividend Restrictions and Quasi Reorganizations (Cont.)

D. Dates and Amounts of Dividends Paid

The Company paid ordinary dividends of $13 million and $25 million on September 15, 2011 and August 2, 2010, respectively. Stockholder dividends are accrued and charged to unassigned funds based on the declaration date as approved by the Board of Directors of the Company.

E. Amount of Ordinary Dividends that May Be Paid

Other than the limitations described on paragraph C, there are no other limitations management is aware of.

F. Restrictions on Unassigned Surplus

Other than the limitations described on paragraph C, there are no other limitations management is aware of.

G. Mutual Surplus Advances

Not applicable

H. Company Stock Held for Special Purposes

Not applicable

I. Changes in Special Surplus Funds

Catastrophe Loss Reserve Trust Fund

In accordance with Act No. 73 of August 12, 1994 and Chapter 25 of the Insurance Code, the Company is required to establish and maintain a trust for the payments of catastrophe losses. This trust may invest its fund in securities authorized by the Insurance Code, but not in investments whose value may be affected by hazards covered by catastrophic insurance losses. The interest earned on these investments and any realized gain /(loss) or investment transactions become part of the reserve for catastrophic insurance losses and an income/(expense) of the Company. The assets in this fund are to be used solely and exclusively to pay catastrophe losses covered under policies written in Puerto Rico. For the years ended December 31, 2011 and 2010, the activity of the catastrophe loss reserve was as follows:

	2011	2010
Catastrophe loss reserve at beginning of year	$48,151,764	$46,313,029
Contributions	595,842	648,676
Investment income	1,234,492	1,190,059
Catastrophe loss reserve at end of year	**$49,982,098**	**$48,151,764**

The trust assets are composed mainly of U.S. Treasury securities, and obligations of U.S. government agencies and obligations of the Commonwealth of Puerto Rico.

Contributions are determined by a rate imposed by the Commissioner of Insurance on the catastrophe policies written. The amounts deposited in the trust fund are deductible form income tax purposes. The amount deposited in the trust funds may be reimbursed in the case that the Company cease to underwrite risks subject to catastrophe losses.

J. Changes in Unassigned Funds

The portion of unassigned funds (surplus) represented by cumulative unrealized capital loss is $162,598.

K. Surplus Notes

Not applicable

L & M. Quasi Reorganizations

Not applicable

Note 14. Contingencies

A. Contingent Commitments

The Company has no commitments or contingent commitments to affiliates or other entities except for leasing arrangements described in Note 15A.

NOTES TO FINANCIAL STATEMENTS

Note 14. Contingencies (Cont.)

B. Guaranty Fund and Other Assessments

In accordance with Chapter No. 41 of the Insurance Code and Rule No. 56 of the Insurance Regulations of the Commonwealth of Puerto Rico, the Company is a member of the "Sindicato de Aseguradores para la Suscripción Conjunta de Seguros de Responsabilidad Profesional Médico-Hospitalaria" (SIMED) and of the "Sindicato de Aseguradores de Responsabilidad Profesional para Médicos". Both syndicates were organized for the purpose of underwriting medical-hospital professional liability insurance. As a member, the Company shares the risk proportionately with other member companies based on a formula established by the Insurance Code. If the above mentioned syndicates are unable to satisfy their obligations, their liabilities are distributed among the members. During 2011 and 2010, no assessments were received for this contingency.

Additionally, pursuant to Article 12 of Rule LXIX of the Insurance Code of the Commonwealth of Puerto Rico, the Company is a member of the Compulsory Vehicle Liability Insurance Joint Underwriting Association (the Association). The Association was organized to underwrite insurance coverage of motor vehicles property damage liability risks. As a member, the Company shares the risk, proportionately with other members, based on a formula established by the Insurance Code. During 2011 and 2010, no assessments were received for this contingency.

The Company is also a member of the Puerto Rico Property and Casualty Insurance Guaranty Association. As a member, the Company may be required to provide funds for the payment of claims and unearned premiums reimbursements for policies issued by insurance companies declared insolvent. During 2011 and 2010, no assessments were received for this contingency.

C. Gain Contingencies

Not applicable

D. Other Contingencies

Lawsuits arise against the Company in normal course of business. Contingent liabilities arising form litigation, and other matters are not considered material in relation to the financial position of the Company.

Note 15. Leases

A. Lessee Leasing Arrangements

1. The Company leases office facilities and equipment under various non-cancelable operating leases that expire from 6/30/2015 through 12/31/2021.

2. Future minimum rental payments are as follows:

Year	Amount
2012	$ 835,668
2013	835,668
2014	835,668
2015	820,748
2016	799,860
Thereafter	3,999,300
Total	$8,126,912

3. The Company has not entered into any sales and leaseback arrangements.

B. Lessor Leasing Arrangements

a. Operating Leases

Not applicable

b. Leveraged Leases

Not applicable

Note 16. Information about Financial Instruments with Off-Balance Sheet Risk

None

NOTES TO FINANCIAL STATEMENTS

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

A. Transfers of Receivables Reported as Sales

None

B. Transfers and Servicing of Financial Assets

Not applicable

C. Wash Sales

Not applicable

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

Note 19. Direct Premiums Written / Produced by Managing General Agents / Third Party Administrators

A. The Company uses general agents to write and administer property and casualty insurance products. General agents that write direct premiums greater than 5% of policyholder's surplus are as follows:

Agent	Address	F.E.I. Number	Exclusive Contract	Type of Business Written	Type of Authority Granted	Direct Premium Written
Eastern America Insurance Agency	PO Box 193900; San Juan PR 00919-3900	66-0388346	NO	ALL	{U} & {P}	$16,984,296
Popular Insurance	PO Box 70331; San Juan PR 00936-8331	66-0542973	NO	ALL	{U} & {P}	$9,666,864
Chartis Insurance Agency-Puerto Rico	PO Box 13854; San Juan PR 00918-3584	66-0509110	NO	ALL	{U} & {P}	$23,042,961
Seguros N. Colón	PO Box 1267; Aibonito PR 00705	66-0531812	NO	ALL	{U} & {P}	$7,769,257
Arieta & Son Assurance Corporation	304 Ponce de León Ave.; San Juan OR 00918-2029	66-0593805	NO	ALL	{U} & {P}	$7,445,220

Premiums written by MGA which individually are less than 5% of policyholders' surplus total $13,610,342.

Note 20. Other items

A. Extraordinary Items

Not applicable

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

NOTES TO FINANCIAL STATEMENTS

Note 20. Other items (Cont.)

There are no other pledged securities other than amounts reported on Schedule E - Part 3 - Special Deposits.

D. Uncollectible Premiums Receivable

The Company routinely assesses the collectability of premium receivables. Based upon company experience, any uncollectible premium receivables as of December 31, 2011 are not expected to exceed the non-admitted amounts and, therefore, no additional provision for uncollectible amounts has been recorded. The potential for any additional loss is not believed to be material to the Company's financial position.

E. Business Interruption Insurance Recoveries

Not applicable

F. State Transferable Tax Credits

Not applicable

G. Hybrid Securities

Not applicable

H. Subprime Mortgage Related Risk Exposure

1. The Company classifies investments as having subprime exposure by taking into consideration mainly the related average credit rating of borrowers and the percentage of collateral from borrowers with low credit ratings. It is the Company's policy to invest in high grade securities which meet investment guidelines set forth by the NAIC SVO and that of any relevant state regulated department of insurance.
2. The Company does not have any direct exposure to subprime mortgage loans as the Company does not hold any subprime mortgage loans as defined above.
3. The Company does not have any related direct exposure through other investments.
4. We are not aware at this time of any exposure that could represent a material risk directly related to these risks.

I. FHLB Agreements

Not applicable

Note 21. Events subsequent

There were no events occurring subsequent to December 31, 2011 through the date of this filing meriting disclosure.

Note 22. Reinsurance

A. Unsecured Reinsurance Recoverable

Individual reinsurers with unsecured balances in excess of 3% of policyholders' surplus are as follows:

NAIC Code	Federal ID#	Name of Reinsurer	Amount
23841	02-0172170	New Hampshire Ins. Co.	$16,853,000
19445	25-0687550	National Union Fire Ins. Co. of Pittsburg	$17,643,000
19380	13-5124990	American Home Assurance Company	$13,659,000
00000	AA-3190234	American Int'l. Underwriters Overseas, Ltd.	$91,514,000

B. Reinsurance Recoverable in Dispute

The Company does not have reinsurance recoverable on paid and unpaid (including IBNR) losses in dispute from any company (and for affiliate) that exceed 5% of policyholders' surplus. Aggregate reinsurance recoverable in dispute does not exceed 10% of the policyholders' surplus.

NOTES TO FINANCIAL STATEMENTS

C. Reinsurance Assumed and Ceded

Note 22. Reinsurance (Cont.)

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

	Assumed		Ceded		Assumed Less Ceded	
	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity
a. Affiliates	$ -	$ -	$26,525,000	$4,459,000	$(26,525,000)	$(4,459,000)
b. All other	399,000	29,000	10,053,000	1,690,000	(9,654,000)	(1,661,000)
c. Totals	$ 399,000	$ 29,000	$36,578,000	$6,149,000	$(36,179,000)	$(6,120,000)
d. Direct Unearned Premium Reserve	$50,596,000					

2. Certain agency agreements provide for additional commissions based on the actual loss experience of the produced business. Amounts accrued at the end of the current year are as follows:

	Direct	Assumed	Ceded	Net
a. Contingent Commission	$0	$0	$0	$0
b. Sliding Scales adjustments	0	0	0	0
c. Other Profit Commission adjustments	0	0	0	0
d. Total	$0	$0	$0	$0

Ceded reinsurance contracts do not provide for return commission based on actual experience of the reinsurance business.

3. The Company does not use protected cells as an alternative to traditional reinsurance.

D. Uncollectible Reinsurance

Not applicable

E. Commutation of Ceded Reinsurance

Not applicable

F. Retroactive Reinsurance

Not applicable

G. Reinsurance Accounted for as a Deposit

Not applicable

Note 23. Retrospectively Rated Contracts and Contracts Subject to Redetermination

Not applicable

Note 24. Changes in Incurred Losses and Loss Adjustment Expenses

No material changes.

NOTES TO FINANCIAL STATEMENTS

Note 25. Intercompanv Pooling Arrangements

Not applicable

Note 26. Structured Settlements

A. Reserves Released due to Purchase of Annuities

Not applicable

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

Not applicable

Note 27. Health Care Receivables

A. and B. Not applicable

Note 28. Participating Accident and Health Policies

Not Applicable

Note 29. Premium Deficiency Reserves

Not Applicable

Note 30. High Deductibles

The amounts billed and recoverable as of December 31, 2011 and 2010 were $807,380 and $1,381,954, respectively. Unsecured recoverable of $807,380 for 2011 and $1,381,954 for 2010, or 100%, were non-admitted.

Note 31. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

A. Tabular Discounts

Not applicable

B. Non- Tabular Discounts

Not applicable

C. Changes in Discount Assumptions

Not applicable

Note 32. Asbestos/Environmental Reserves

A. Asbestos Reserves

Does the Company have on books or has it ever written an insured for which it has identified a potential for the existence of a liability due to environmental losses? No

B. Ending Reserves for Asbestos Claims for Bulk and IBNR Losses and LAE

Not applicable

C. Ending Reserves for Asbestos Claims for Loss Adjustment Expenses (Case, Bulk and IBNR)

Not applicable

NOTES TO FINANCIAL STATEMENTS

D. Environmental Reserves

Does the Company have on books or has it ever written an insured for which it has identified a potential for the existence of a liability due to environmental losses? No

Note 32. Asbestos/Environmental Reserves (Cont.)

E. Ending Reserves for Environmental Claims for Bulk and IBNR Losses and LAE

Not applicable

F. Ending Reserves for Environmental Claims for Loss Adjustment Expenses (Case, Bulk and IBNR)

Not applicable

While we have not identified for any of our insurer's a potential for the existence of a liability due to asbestos or environmental losses, we are aware that case law is constantly evolving and that our future liability picture could change. At present, we have no information that leads us to believe that any potential asbestos or environmental liabilities exist.

Note 33. Subscriber Savings Accounts

Not applicable

Note 34. Multiple Peril Crop Insurance

Not applicable

FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e. 17.6.

		1 2011	2 2010	3 2009	4 2008	5 2007
	Gross Premiums Written (Page 8, Part 1B Cols. 1, 2 & 3)					
1.	Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	30,205,869	33,039,762	40,377,099	46,246,258	51,684,379
2.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	66,213,600	68,783,738	61,315,529	70,156,192	70,053,678
3.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	8,854,528	11,734,266	9,713,841	13,251,561	13,773,454
4.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	7,039,186	5,796,039	5,587,719	6,087,394	5,980,892
5.	Nonproportional reinsurance lines (Lines 31, 32 & 33)	0	0	0	0	0
6.	Total (Line 35)	112,313,183	119,353,805	116,994,188	135,741,405	141,492,403
	Net Premiums Written (Page 8, Part 1B, Col. 6)					
7.	Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	6,342,434	6,942,975	9,254,575	10,397,201	11,411,252
8.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	8,870,962	11,427,196	10,199,148	14,067,561	14,530,544
9.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	2,950,726	5,696,209	3,996,374	5,970,675	6,031,882
10.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	4,631,042	3,646,156	4,004,984	3,201,951	3,487,250
11.	Nonproportional reinsurance lines (Lines 31, 32 & 33)	0	0	0	0	0
12.	Total (Line 35)	22,795,164	27,712,536	27,455,081	33,637,388	35,460,928
	Statement of Income (Page 4)					
13	Net underwriting gain (loss) (Line 8)	5,708,996	5,336,170	3,584,900	15,565,597	7,756,124
14.	Net investment gain or (loss) (Line 11)	5,146,495	5,373,120	6,139,675	7,611,018	8,702,026
15.	Total other income (Line 15)	0	0	0	0	0
16.	Dividends to policyholders (Line 17)					
17.	Federal and foreign income taxes incurred (Line 19)	1,269,340	3,062,708	939,604	6,133,179	3,300,142
18.	Net income (Line 20)	9,586,151	7,646,582	8,784,971	17,043,436	13,158,008
	Balance Sheet Lines (Pages 2 and 3)					
19.	Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	197,256,444	209,149,388	228,980,837	231,886,570	224,960,614
20.	Premiums and considerations (Page 2, Col. 3)					
	20.1 In course of collection (Line 15.1)	8,443,279	13,116,714	16,367,263	15,374,781	20,028,104
	20.2 Deferred and not yet due (Line 15.2)	0	0	0	0	0
	20.3 Accrued retrospective premiums (Line 15.3)	0	0	0	0	0
21.	Total liabilities excluding protected cell business (Page 3, Line 26)	54,709,272	61,830,381	77,778,057	89,611,456	92,418,052
22.	Losses (Page 3, Line 1)	15,089,209	17,031,889	19,896,695	21,133,003	26,329,590
23.	Loss adjustment expenses (Page 3, Line 3)	7,632,048	7,121,496	8,048,368	8,096,052	10,308,438
24.	Unearned premiums (Page 3, Line 9)	14,417,497	19,698,767	21,299,070	24,227,838	25,880,856
25.	Capital paid up (Page 3, Lines 30 & 31)	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000
26.	Surplus as regards policyholders (Page 3, Line 37)	142,547,172	147,319,007	151,202,780	142,275,114	132,542,562
	Cash Flow (Page 5)					
27.	Net cash from operations (Line 11)	10,711,525	16,166,782	(4,023,629)	18,493,547	(881,537)
	Risk-Based Capital Analysis					
28.	Total adjusted capital	142,547,172	147,319,007	151,202,780	142,275,114	132,542,562
29.	Authorized control level risk-based capital	6,839,673	8,246,828	8,122,841	6,282,660	5,053,627
	Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Line divided by Page 2, Line 12, Col. 3) x100.0					
30.	Bonds (Line 1)	87.0	85.3	75.9	75.5	86.1
31.	Stocks (Lines 2.1 & 2.2)	0.9	0.0	(0.1)	(0.1)	0.1
32.	Mortgage loans on real estate (Lines 3.1 and 3.2)	0.0	0.0	0.0	0.0	0.0
33.	Real estate (Lines 4.1, 4.2 & 4.3)	0.0	0.0	0.0	0.0	0.0
34.	Cash, cash equivalents and short-term investments (Line 5)	12.1	14.7	24.1	24.6	13.9
35.	Contract loans (Line 6)	0.0	0.0	0.0	0.0	0.0
36.	Derivatives (Line 7)	0.0	0.0	XXX	XXX	XXX
37.	Other invested assets (Line 8)	0.0	0.0	0.0	0.0	0.0
38.	Receivables for securities (Line 9)	0.0	0.0	0.0	0.0	0.0
39.	Securities lending reinvested collateral assets (Line 10)	0.0	0.0	XXX	XXX	XXX
40.	Aggregate write-ins for invested assets (Line 11)	0.0	0.0	0.0	0.0	0.0
41.	Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
	Investments in Parent, Subsidiaries and Affiliates					
42.	Affiliated bonds (Schedule D, Summary, Line 12, Col. 1)	0	0	0		
43.	Affiliated preferred stocks (Schedule D, Summary, Line 18, Col. 1)					
44.	Affiliated common stocks (Schedule D, Summary, Line 24, Col. 1)	219,203	15,559	(112,598)	(299,554)	130,096
45.	Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)	0	0	0	0	0
46.	Affiliated mortgage loans on real estate			0	0	0
47.	All other affiliated			0	0	0
48.	Total of above Lines 42 to 47	219,203	15,559	(112,598)	(299,554)	130,096
49.	Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)	0.2	0.0	(0.1)	(0.2)	0.1

FIVE-YEAR HISTORICAL DATA

(Continued)

		1 2011	2 2010	3 2009	4 2008	5 2007
	Capital and Surplus Accounts (Page 4)					
50.	Net unrealized capital gains (losses) (Line 24)	(540,343)	(255,055)	186,956	(428,301)	808,673
51.	Dividends to stockholders (Line 35)	(13,000,000)	(25,000,000)			
52.	Change in surplus as regards policyholders for the year (Line 38)	(4,771,835)	(3,883,774)	8,927,667	9,732,551	13,776,236
	Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
53.	Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	67,365,613	19,610,492	18,051,153	30,376,308	24,151,977
54.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	10,143,750	30,017,507	14,049,796	13,695,662	21,319,217
55.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,853,620	1,941,613	2,830,216	12,394,233	3,088,805
56.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	687,807	(30,739)	(829,739)	(430,867)	(3,050,866)
57.	Nonproportional reinsurance lines (Lines 31, 32 & 33)	0	0	0	0	0
58.	Total (Line 35)	80,050,790	51,538,873	34,101,426	56,035,336	45,509,133
	Net Losses Paid (Page 9, Part 2, Col. 4)					
59.	Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	2,912,831	3,376,235	3,558,664	4,558,871	6,058,662
60.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	2,166,384	1,973,216	2,678,578	3,490,593	5,142,247
61.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,514,993	1,159,756	2,196,857	2,474,642	1,582,189
62.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	759,823	720,620	480,454	2,003	519,674
63.	Nonproportional reinsurance lines (Lines 31, 32 & 33)	0	0	0	0	0
64.	Total (Line 35)	7,354,031	7,229,827	8,914,553	10,526,109	13,302,772
	Operating Percentages (Page 4) (Line divided by Page 4, Line 1) x 100.0					
65.	Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
66.	Losses incurred (Line 2)	19.3	14.9	25.3	15.1	32.7
67.	Loss expenses incurred (Line 3)	14.2	11.7	15.2	8.3	13.8
68.	Other underwriting expenses incurred (Line 4)	46.2	55.2	47.7	32.5	33.4
69.	Net underwriting gain (loss) (Line 8)	20.3	18.2	11.8	44.1	20.1
	Other Percentages					
70.	Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	57.0	58.3	52.8	34.1	36.4
71.	Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	33.4	26.6	40.5	23.4	46.5
72.	Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0)	16.0	18.8	18.2	23.6	26.8
	One Year Loss Development (000 omitted)					
73.	Development in estimated losses and loss expenses incurred prior to current year (Schedule P - Part 2 - Summary, Line 12, Col. 11)	(3,413)	(4,201)	(2,028)	(7,363)	(2,715)
74.	Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 73 above divided by Page 4, Line 21, Col. 1 x 100.0)	(2.3)	(2.8)	(1.4)	(5.6)	(2.3)
	Two Year Loss Development (000 omitted)					
75.	Development in estimated losses and loss expenses incurred two years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	(5,248)	(4,370)	(9,002)	(6,918)	2,931
76.	Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 75 above divided by Page 4, Line 21, Col. 2 x 100.0)	(3.5)	(3.1)	(6.8)	(5.8)	2.4

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes [ ] No [ ]

If no, please explain: