



# QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2011  
OF THE CONDITION AND AFFAIRS OF THE

## LUMBERMENS MUTUAL CASUALTY COMPANY

NAIC Group Code 0108, 0108 NAIC Company Code 22977 Employer's ID Number 36-1410470  
(Current Period) (Prior Period)

Organized under the Laws of Illinois, State of Domicile or Port of Entry Illinois  
Country of Domicile United States

Incorporated/Organized 11/18/1912 Commenced Business 11/25/1912

Statutory Home Office 1 Corporate Drive, Suite 200, Long Grove, IL 60049-0001  
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 1 Corporate Drive, Suite 200 Lake Zurich, IL 60047-8945 847-320-2000  
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 1 Corporate Drive, Suite 200, Lake Zurich, IL 60047-8945  
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 1 Corporate Drive, Suite 200 Lake Zurich, IL 60047-8945 847-320-3127  
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address www.lmcco.com

Statutory Statement Contact Fredrick Thomas Griffith 847-320-3127  
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### OFFICERS

Name	Title	Name	Title
<u>Douglas Sean Andrews</u>	<u>President and CEO</u>	<u>John Keating Conway</u>	<u>Secretary</u>
<u>Fredrick Thomas Griffith</u>	<u>Chief Financial Officer</u>	<u>Geoffrey Andrew Cooke</u>	<u>Treasurer</u>

### OTHER OFFICERS

<u>Barbara Kay Murray</u>	<u>Senior Vice President</u>		
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### DIRECTORS OR TRUSTEES

<u>Douglas Sean Andrews</u>	<u>Peter Bannerman Hamilton</u>	<u>George Ralph Lewis</u>	<u>Arthur James Massolo</u>
<u>David Barrett Mathis</u>			

State of Illinois

ss

County of Lake

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.

Douglas Sean Andrews  
President and CEO

John Keating Conway  
Secretary

Fredrick Thomas Griffith  
Chief Financial Officer

a. Is this an original filing? Yes [ X ] No [ ]

Subscribed and sworn to before me this  
10th day of November, 2011

b. If no,  
1. State the amendment number \_\_\_\_\_  
2. Date filed \_\_\_\_\_  
3. Number of pages attached \_\_\_\_\_

STATEMENT AS OF SEPTEMBER 30, 2011 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds .....	600,667,040		600,667,040	626,204,457
2. Stocks:				
2.1 Preferred stocks .....			0	0
2.2 Common stocks .....	63,039,876		63,039,876	61,256,203
3. Mortgage loans on real estate:				
3.1 First liens .....			0	0
3.2 Other than first liens .....			0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ ..... encumbrances) .....			0	0
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....			0	0
4.3 Properties held for sale (less \$ ..... encumbrances) .....			0	0
5. Cash (\$ .....4,093,730 ), cash equivalents (\$ .....0 ) and short-term investments (\$ .....40,563,543 ) .....	44,657,273		44,657,273	45,385,011
6. Contract loans (including \$ ..... premium notes)			0	0
7. Derivatives .....			0	0
8. Other invested assets .....	13,218,922		13,218,922	13,253,905
9. Receivables for securities .....	1,204,434		1,204,434	378,263
10. Securities lending reinvested collateral assets .....			0	0
11. Aggregate write-ins for invested assets .....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	722,787,545	0	722,787,545	746,477,839
13. Title plants less \$ ..... charged off (for Title insurers only) .....			0	0
14. Investment income due and accrued .....	3,762,454		3,762,454	6,418,300
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....	67,060	1,654,517	(1,587,457)	(3,050,071)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... earned but unbilled premiums) .....	4,777,814	40,488	4,737,326	4,647,902
15.3 Accrued retrospective premiums .....	5,085,765	146,982	4,938,783	6,970,533
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....	27,019,347		27,019,347	48,274,309
16.2 Funds held by or deposited with reinsured companies .....	17,155,963		17,155,963	17,421,859
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 .....	154,669		154,669	130,378
18.2 Net deferred tax asset .....			0	0
19. Guaranty funds receivable or on deposit .....			0	0
20. Electronic data processing equipment and software .....	987,693		987,693	1,053,688
21. Furniture and equipment, including health care delivery assets (\$ ..... ) .....			0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	6,553
23. Receivables from parent, subsidiaries and affiliates .....	5,662	5,662	0	543,099
24. Health care (\$ ..... ) and other amounts receivable .....			0	0
25. Aggregate write-ins for other than invested assets .....	68,693,469	461,861	68,231,608	71,660,791
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	850,497,441	2,309,510	848,187,931	900,555,180
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			0	0
28. Total (Lines 26 and 27)	850,497,441	2,309,510	848,187,931	900,555,180
<b>DETAILS OF WRITE-INS</b>				
1101. ....				
1102. ....				
1103. ....				
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198)(Line 11 above)	0	0	0	0
2501. Amounts receivable under high deductible policies .....	970,504	193,932	776,572	3,289,290
2502. Advance to claims service provider .....	6,012,149		6,012,149	6,358,668
2503. Other admitted assets .....	61,710,816	267,929	61,442,887	62,012,833
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)	68,693,469	461,861	68,231,608	71,660,791

STATEMENT AS OF SEPTEMBER 30, 2011 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year \$ .....462,000 ) .....	507,701,228	507,745,337
2. Reinsurance payable on paid losses and loss adjustment expenses .....	15,536,984	11,787,683
3. Loss adjustment expenses .....	146,099,902	179,014,511
4. Commissions payable, contingent commissions and other similar charges .....	26,060	(60,619)
5. Other expenses (excluding taxes, licenses and fees) .....	6,076,907	8,714,647
6. Taxes, licenses and fees (excluding federal and foreign income taxes) .....	6,612,366	6,847,264
7.1 Current federal and foreign income taxes (including \$ ..... on realized capital gains (losses)) .....		0
7.2 Net deferred tax liability .....		0
8. Borrowed money \$ ..... and interest thereon \$ .....		0
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$ .....930,339 and including warranty reserves of \$ .....1,760 ) .....	1,298,221	1,491,220
10. Advance premium .....		0
11. Dividends declared and unpaid:		
11.1 Stockholders .....		0
11.2 Policyholders .....		0
12. Ceded reinsurance premiums payable (net of ceding commissions) .....	60,757	825,901
13. Funds held by company under reinsurance treaties .....	6,499,092	7,601,274
14. Amounts withheld or retained by company for account of others .....	38,102,812	49,074,264
15. Remittances and items not allocated .....	1,332,872	666,498
16. Provision for reinsurance .....		0
17. Net adjustments in assets and liabilities due to foreign exchange rates .....		0
18. Drafts outstanding .....		0
19. Payable to parent, subsidiaries and affiliates .....	434,009	0
20. Derivatives .....		0
21. Payable for securities .....	225,000	0
22. Payable for securities lending .....		0
23. Liability for amounts held under uninsured plans .....		0
24. Capital notes \$ ..... and interest thereon \$ .....		0
25. Aggregate write-ins for liabilities .....	77,853,449	91,982,549
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25) .....	807,859,659	865,690,529
27. Protected cell liabilities .....		0
28. Total liabilities (Lines 26 and 27) .....	807,859,659	865,690,529
29. Aggregate write-ins for special surplus funds .....	0	0
30. Common capital stock .....		0
31. Preferred capital stock .....		0
32. Aggregate write-ins for other than special surplus funds .....	1,500,000	1,500,000
33. Surplus notes .....	698,355,598	698,355,598
34. Gross paid in and contributed surplus .....		0
35. Unassigned funds (surplus) .....	(659,527,326)	(664,990,947)
36. Less treasury stock, at cost:		
36.1 ..... shares common (value included in Line 30 \$ ..... ) .....		0
36.2 ..... shares preferred (value included in Line 31 \$ ..... ) .....		0
37. Surplus as regards policyholders (Lines 29 to 35, less 36) .....	40,328,272	34,864,651
38. Totals (Page 2, Line 28, Col. 3)	848,187,931	900,555,180
<b>DETAILS OF WRITE-INS</b>		
2501. Accounts payable and other liabilities .....	22,624,020	34,958,875
2502. Deferred credit - prescribed accounting practices .....	55,229,429	57,023,674
2503. ....		
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	77,853,449	91,982,549
2901. ....		
2902. ....		
2903. ....		
2998. Summary of remaining write-ins for Line 29 from overflow page .....	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	0
3201. Guaranty fund .....	1,500,000	1,500,000
3202. ....		
3203. ....		
3298. Summary of remaining write-ins for Line 32 from overflow page .....	0	0
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)	1,500,000	1,500,000

## STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
<b>UNDERWRITING INCOME</b>			
1. Premiums earned:			
1.1 Direct (written \$ 622,836 )	661,628	129,814	115,628
1.2 Assumed (written \$ 187,341 )	563,070	2,027,834	(13,954,148)
1.3 Ceded (written \$ (581,114) )	(359,592)	550,154	(15,012,949)
1.4 Net (written \$ 1,391,291 )	1,584,290	1,607,494	1,174,429
<b>DEDUCTIONS:</b>			
2. Losses incurred (current accident year \$ 713,000 ):			
2.1 Direct	(8,211,530)	(36,829,167)	(56,186,113)
2.2 Assumed	8,255,416	(18,818,888)	(87,027,856)
2.3 Ceded	(8,341,340)	(118,962,720)	(127,546,696)
2.4 Net	8,385,226	63,314,665	(15,667,273)
3. Loss adjustment expenses incurred	2,242,445	310,328	16,886,067
4. Other underwriting expenses incurred	26,538,593	(21,737,686)	39,922,350
5. Aggregate write-ins for underwriting deductions	0	0	(137,989)
6. Total underwriting deductions (Lines 2 through 5)	37,166,264	41,887,307	41,003,155
7. Net income of protected cells		0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	(35,581,974)	(40,279,813)	(39,828,726)
<b>INVESTMENT INCOME</b>			
9. Net investment income earned	15,320,578	20,822,983	26,979,669
10. Net realized capital gains (losses) less capital gains tax of \$	2,894,202	2,446,939	4,233,407
11. Net investment gain (loss) (Lines 9 + 10)	18,214,780	23,269,922	31,213,076
<b>OTHER INCOME</b>			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 8,366 amount charged off \$ (973,444) )	981,810	3,016,415	5,322,042
13. Finance and service charges not included in premiums		0	0
14. Aggregate write-ins for miscellaneous income	7,878,576	9,275,030	9,569,746
15. Total other income (Lines 12 through 14)	8,860,386	12,291,445	14,891,788
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(8,506,808)	(4,718,446)	6,276,138
17. Dividends to policyholders	745,066	456,380	(1,290,894)
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)	(9,251,874)	(5,174,826)	7,567,032
19. Federal and foreign income taxes incurred	(96,153)	(515,596)	(475,145)
20. Net income (Line 18 minus Line 19)(to Line 22)	(9,155,721)	(4,659,230)	8,042,177
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
21. Surplus as regards policyholders, December 31 prior year	34,864,651	8,123,278	8,123,278
22. Net income (from Line 20)	(9,155,721)	(4,659,230)	8,042,177
23. Net transfers (to) from Protected Cell accounts		0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0	1,783,836	1,805,283	9,318,654
25. Change in net unrealized foreign exchange capital gain (loss)	(6,554)	215,420	440,850
26. Change in net deferred income tax		(572,342)	0
27. Change in nonadmitted assets	4,963,634	2,377,579	1,829,239
28. Change in provision for reinsurance		0	0
29. Change in surplus notes		0	0
30. Surplus (contributed to) withdrawn from protected cells		0	0
31. Cumulative effect of changes in accounting principles		0	0
32. Capital changes:			
32.1 Paid in		0	0
32.2 Transferred from surplus (Stock Dividend)		0	0
32.3 Transferred to surplus		0	0
33. Surplus adjustments:			
33.1 Paid in		0	0
33.2 Transferred to capital (Stock Dividend)		0	0
33.3 Transferred from capital		0	0
34. Net remittances from or (to) Home Office		0	0
35. Dividends to stockholders		0	0
36. Change in treasury stock		0	0
37. Aggregate write-ins for gains and losses in surplus	7,878,426	4,812,633	7,110,453
38. Change in surplus as regards policyholders (Lines 22 through 37)	5,463,621	3,979,343	26,741,373
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	40,328,272	12,102,621	34,864,651
<b>DETAILS OF WRITE-INS</b>			
0501. Change in premium deficiency reserve	0	0	(137,989)
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	(137,989)
1401. Other income	7,878,576	9,275,030	9,569,746
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)	7,878,576	9,275,030	9,569,746
3701. Provision for uncollectible reinsurance	7,878,426	4,812,633	7,110,453
3702.			
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page	0	0	0
3799. TOTALS (Lines 3701 through 3703 plus 3798) (Line 37 above)	7,878,426	4,812,633	7,110,453

## CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
<b>Cash from Operations</b>			
1. Premiums collected net of reinsurance.....	344,303	8,111,484	8,751,649
2. Net investment income .....	20,387,335	25,191,535	30,722,089
3. Miscellaneous income .....	9,126,282	5,906,592	8,653,964
4. Total (Lines 1 to 3) .....	29,857,920	39,209,611	48,127,702
5. Benefit and loss related payments .....	(16,574,928)	91,014,373	130,541,481
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions .....	64,476,106	20,367,092	96,559,789
8. Dividends paid to policyholders .....	(1,285,482)	(3,446,234)	(4,143,138)
9. Federal and foreign income taxes paid (recovered) net of \$ ..... tax on capital gains (losses).....	(71,862)	0	(728,164)
10. Total (Lines 5 through 9) .....	46,543,834	107,935,231	222,229,968
11. Net cash from operations (Line 4 minus Line 10) .....	(16,685,914)	(68,725,620)	(174,102,266)
<b>Cash from Investments</b>			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds .....	157,565,632	185,521,644	246,657,863
12.2 Stocks .....	(91,502)	(276,723)	1,196,848
12.3 Mortgage loans .....	0	0	0
12.4 Real estate .....	0	0	0
12.5 Other invested assets .....	915,036	364,033	364,033
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....	32,685	155	155
12.7 Miscellaneous proceeds .....	0	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	158,421,851	185,609,109	248,218,899
13. Cost of investments acquired (long-term only):			
13.1 Bonds .....	131,662,928	62,065,779	67,631,936
13.2 Stocks .....	0	0	0
13.3 Mortgage loans .....	0	0	0
13.4 Real estate .....	0	0	0
13.5 Other invested assets .....	743,340	0	0
13.6 Miscellaneous applications .....	601,171	0	378,263
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	133,007,439	62,065,779	68,010,199
14. Net increase (or decrease) in contract loans and premium notes .....	0	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) .....	25,414,412	123,543,330	180,208,700
<b>Cash from Financing and Miscellaneous Sources</b>			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes .....	0	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0	0
16.3 Borrowed funds .....	0	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....	0	0	0
16.5 Dividends to stockholders .....	0	0	0
16.6 Other cash provided (applied).....	(9,456,236)	(65,434,562)	(20,056,184)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) .....	(9,456,236)	(65,434,562)	(20,056,184)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	(727,738)	(10,616,852)	(13,949,750)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year.....	45,385,011	59,334,761	59,334,761
19.2 End of period (Line 18 plus Line 19.1) .....	44,657,273	48,717,909	45,385,011

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Accounting Practices

The accompanying statutory financial statements of Lumbermens Mutual Casualty Company (the "Company") have been prepared in conformity with the National Association of Insurance Commissioners (the "NAIC") *Accounting Practices and Procedures Manual* (the "Manual") and with accounting practices prescribed (including accounting allowances under Corrective Orders) or permitted by the Illinois Department of Insurance (the "Department").

The Company's reported surplus at September 30, 2011 and December 31, 2010 reflects increases of \$295.9 million and \$298.3 million, respectively, at those dates over what would have been reported without accounting practices prescribed or permitted by the Department, as illustrated in the following table and as described further below:

Prescribed or Permitted Practices	September 30, 2011	December 31, 2010	Increase/ (Decrease)
	(In thousands)		
Loss and LAE Reserve Discounting	\$ 203,328	204,239	(911)
Prepaid Expenses	13,950	15,028	(1,078)
Provision for Uncollectible Reinsurance	7,927	7,927	0
Annuity Reinsurance Contracts	11,686	11,686	0
Subsidiary Audited Financials	7,537	7,441	96
Funds Held with Reinsured Companies	6,336	5,876	460
LBA and GFA	30,957	30,957	0
Real Estate Joint Venture	7,904	7,939	(35)
Unallocated Loss Adjustment Expenses	6,301	7,201	(900)
Retroactive Reinsurance Agreements	0	0	0
Loss and ALAE Reserve Variability	30,377	30,836	(459)
Assumed Loss and ALAE Reserves	24,852	26,188	(1,336)
Deferred Credit	(55,229)	(57,024)	1,795
<b>Total</b>	<b>\$ 295,925</b>	<b>298,294</b>	<b>(2,369)</b>

1. **Loss and LAE Reserve Discounting.** Pursuant to a prescribed accounting practice, the Company discounts its loss and loss adjustment expense ("LAE") reserves at 4.2% in the accompanying financial statements. Prior to 2003, the Company discounted at 3.5% (or the required statutory rate) only certain categories of liabilities on its statutory statements of admitted assets, liabilities and surplus ("balance sheet"), essentially the tabular discount on permanent total/lifetime benefit liabilities, pursuant to prescribed accounting practices. At September 30, 2011, the total amount of the tabular and non-tabular discount, included on the balance sheet and on Schedule P, was \$276.0 million; the total was \$279.0 million at December 31, 2010. With this prescribed practice, the Company's reported surplus exceeded what its surplus would have been under the tabular discount by \$203.3 million at September 30, 2011 and \$204.2 million at December 31, 2010.
2. **Prepaid Expenses.** Pursuant to a prescribed accounting practice, the balance sheet of the Company reflects as admitted assets the amounts that the Company has prepaid for claim handling services to two third-party administrators. The prescribed practice further allows the Company to admit its September 30, 2011 and December 31, 2010 prepaid expense assets primarily related to insurance and rent expenses. With this prescribed practice, the Company's reported surplus exceeded what its surplus would have been by \$13.9 million at September 30, 2011 and \$15.0 million at December 31, 2010.
3. **Provision for Uncollectible Reinsurance.** Pursuant to a prescribed accounting practice, the Company established a general provision for uncollectible reinsurance, net of a 4.2% discount, of \$10.0 million at September 30, 2011 and \$17.9 million at December 31, 2010. The change in the Schedule F penalty otherwise prescribed by the Manual would have approximated the change in the general provision for uncollectible reinsurance during the 3rd quarter of 2011.
4. **Annuity Reinsurance Contracts.** Pursuant to a prescribed accounting practice, the balance sheet of the Company at September 30, 2011 and December 31, 2010 reflects as admitted assets the estimated value of certain annuity reinsurance contracts issued by Washington National Insurance Company, which is rated B+ (good) by A.M. Best. As reflected on the balance sheet, the annuity reinsurance contracts totaled \$12.9 million and \$13.3 million at September 30, 2011 and December 31, 2010, respectively. The benefit to surplus of the prescribed practice at September 30, 2011 is approximately the same as December 31, 2010.
5. **Audited Financial Statements of Certain Subsidiaries.** For December 31, 2010, the Department granted a permitted accounting practice allowing the Company to forego the requirement to obtain audited financial statements for certain of the Company's subsidiaries and the Company has carried forward the permitted practice to September 30, 2011. At September 30, 2011 and December 31, 2010, such subsidiaries had a combined statement value (surplus) of \$7.5 million

## NOTES TO FINANCIAL STATEMENTS

and \$7.4 million, respectively. The Company believes that the statutory carrying values of these subsidiaries approximate the carrying values that would be determined if audited statements were prepared.

6. Funds Held with Reinsured Companies. Pursuant to a prescribed accounting practice, the balance sheet of the Company at September 30, 2011 and December 31, 2010 reflects as admitted assets funds held with reinsured companies that exceed the liabilities they are intended to secure. With this prescribed practice, the Company's reported surplus exceeded what its surplus would have been by \$6.3 million at September 30, 2011 and \$5.9 million at December 31, 2010.
7. Loss Based Assessment ("LBA") and Guaranty Fund Assessment ("GFA") Liabilities. Pursuant to a prescribed accounting practice, the Company calculates its September 30, 2011 and December 31, 2010 LBA liability, net of a 4.2% discount, based on an estimate of LBA payments to be made within two years of the date of the statutory financial statements. Additionally, a prescribed accounting practice allows the Company to forego the requirement to record an estimate of guaranty fund assessments that have been authorized by certain guaranty funds but not called. The benefit to surplus of these prescribed practices at September 30, 2011 is approximately the same as December 31, 2010.
8. Real Estate Joint Venture. The balance sheet of the Company at September 30, 2011 and December 31, 2010 reflects as other invested assets a real estate acquisition, development, and construction arrangement (ADC) as a real estate joint venture. As reflected on the balance sheet, the real estate joint venture is valued at \$13.2 million at September 30, 2011 and \$13.2 million at December 31, 2010. Pursuant to a prescribed accounting practice, the Company is allowed to increase the carrying value at September 30, 2011 and December 31, 2010 of the real estate joint venture by 50% of the difference between its cost and the fair value as determined by an external appraisal performed at December 31, 2010. With this prescribed practice, the Company's reported surplus exceeded what its surplus would have been by \$7.9 million at September 30, 2011 and 7.9 million at December 31, 2010.
9. Unallocated Loss Adjustment Expense Reserve. Pursuant to a prescribed accounting practice, the Company established its September 30, 2011 reserve for unallocated loss adjustment expense ("ULAE") based on an estimate of ULAE payments to be made within two years of the date of the statutory financial statements. The prescribed accounting practice further directs the Company to include in the reserve amounts that the Company has prepaid for claim handling services to two third-party administrators. With this prescribed practice, the Company's reported surplus exceeded what its surplus would have been by \$6.3 million at September 30, 2011 and \$7.2 million at December 31, 2010.
10. Retroactive Reinsurance Agreements Treated as Prospective. Certain of the Company's reinsurance agreements entered into prior to 2003 were not reduced to signed written forms within the nine-month period required by the Manual and thus should have been accounted for as retroactive reinsurance. The Department granted a permitted accounting practice to the Company for the 2010 and 2009 statutory financial statements to record these reinsurance agreements as prospective contracts. In the absence of the permitted practice, the Company's restricted surplus would have increased, although its total surplus would not have changed. The Company has not quantified what the increase to restricted surplus would have been absent the permitted practice.
11. The Department has prescribed certain accounting practices that do not result in an increase to the September 30, 2011 and December 31, 2010 surplus of the Company, but it is reasonably possible that the Company's surplus reported in future periods will benefit from the following prescribed accounting practices.
  - a. Loss and ALAE Reserve Variability. Pursuant to a prescribed accounting practice, the Company has recorded an estimate for unpaid claims, losses, and allocated loss adjustment expense ("ALAE") related to direct business, less amounts ceded to reinsurers and discount, that is 5% less than management's best estimate. Under the direction of the Department, the Company has deferred the surplus benefit of this prescribed accounting practice at September 30, 2011 and December 31, 2010 by recording a deferred credit that is summarized within the "Aggregate write-in for liabilities" line item on the Company's balance sheet. The deferred credit may be recognized in future periods and benefit surplus if the Company's surplus were otherwise to fall below a minimum surplus amount as ordered by the Department. Absent the direction by the Department to defer this prescribed accounting practice, the Company's reported surplus would have exceeded what its surplus would have been without the prescribed accounting practice by approximately \$30.4 million at September 30, 2011 and \$30.8 million at December 31, 2010.
  - b. Assumed Loss and ALAE Reserves. Pursuant to a prescribed accounting practice, the Company has recorded an estimate for unpaid claims, losses, and ALAE related to assumed business, less offsets available to reinsurers and discount, based on an estimate of assumed

## NOTES TO FINANCIAL STATEMENTS

reinsurance payments to be made within two years of the date of the statutory financial statements. Under the direction of the Department, the Company has deferred the surplus benefit of this prescribed accounting practice at September 30, 2011 and December 31, 2010 by recording a deferred credit that is summarized within the "Aggregate write-in for liabilities" line item on the Company's balance sheet. The deferred credit may be recognized in future periods and benefit surplus if the Company's surplus were otherwise to fall below a minimum surplus amount as ordered by the Department. Absent the direction by the Department to defer this prescribed accounting practice, the Company's reported surplus would have exceeded what its surplus would have been without the prescribed accounting practice by approximately \$24.9 million at September 30, 2011 and \$26.2 million at December 31, 2010.

### 2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS

No change.

### 3. BUSINESS COMBINATIONS AND GOODWILL

No change.

### 4. DISCONTINUED OPERATIONS

No change.

### 5. INVESTMENTS

D. The statement value and fair value of bonds at September 30, 2011 were as follows:

	Statement value	Gross unrealized gains	Gross unrealized losses	Fair value
		(In thousands)		
U.S. governments	\$ 27,500	1,295	0	28,795
Special revenue and assessment obligations and all non-guaranteed obligations of agencies and authorities of U.S. governments	13,086	350	(320)	13,116
Industrial and miscellaneous	423,091	6,428	(17,523)	411,996
Asset-backed securities	31,503	656	(525)	31,634
Mortgage-backed securities	105,487	801	(1,373)	104,915
Total bonds	<u>\$ 600,667</u>	<u>9,530</u>	<u>(19,741)</u>	<u>590,456</u>

Bonds in an unrealized loss position are regularly reviewed for other-than-temporary declines in value. Factors considered in determining whether a decline is other-than-temporary include the length of time a bond has been in an unrealized loss position and the reasons for the decline in value. Assessments include judgments about an obligor's or guarantor's current and projected financial position, an issuer's current and projected ability to service and repay its debt obligations, the existence of, and realizable value for, any collateral backing the obligations, and the macro-economic and micro-economic outlooks for specific industries and issuers. Estimating the future cash flows of loan-backed securities also involves assumptions regarding the underlying collateral such as prepayment rates, default and recovery rates, existence of subordinated classes capable of absorbing losses, and third-party servicing abilities.

In performing its other-than-temporary impairment reviews, the Company, in consultation with its engaged portfolio manager, considers the relevant facts and circumstances relating to each investment and exercises judgment in determining whether a bond is other-than-temporarily impaired. Among the factors considered are whether the decline in fair value results from fundamental credit problems of the issuer, or is interest related, and the likelihood of recovering the amortized cost based on the current and short-term prospects of the issuer. Unrealized losses are determined to be temporary where such losses are primarily the result of market conditions, such as increasing interest rates, unusual market volatility, or industry-related events, and where the Company also believes it is probable that the Company will be able to collect all amounts when due in accordance with the contractual terms of the investment and, furthermore, has the intent and ability to hold the investment until the market recovers or maturity and, therefore, does not have the intent to sell the investment.

The bonds shown in the table below, nearly all of which are rated "A" or better, or are U.S. government obligations or are U.S. government agency mortgage-backed obligations and which, therefore, have minimal credit risk, are subject to normal market fluctuations. Based on the Company's evaluation of the bonds shown in the table below and the Company's intent and ability to hold the securities until they recover in value or mature, the Company does not consider the bonds to be other-than-temporarily impaired at September 30, 2011.

The risks inherent in reviewing the impairment of any investment include the risk that market results may differ from expectations; facts and circumstances may change in the future and differ



## NOTES TO FINANCIAL STATEMENTS

from estimates and assumptions; or the Company may later decide to sell the security and realize a loss as a result of changes in the specific facts and circumstances surrounding a bond, or the outlook for its industry sector or the economy.

As of September 30, 2011, the gross unrealized losses segregated between those that were in a loss position for more than twelve months and those that were in a loss position for less than twelve months were as follows:

	Number of issues		Gross unrealized losses		Fair Value
	(In thousands)				
Bonds in a loss position more than 12 months:					
Special revenue & assessment obligations and all non-guaranteed obligations of agencies and authorities of U.S. governments	1	\$	(318)		3,005
Industrial & miscellaneous <sup>1</sup>	2		(16,859)		137,232
Asset-backed securities	1		(482)		2,794
Mortgage-backed securities	4		(1,227)		8,085
	8		(18,886)		151,116
Bonds in a loss position less than 12 months:					
Special revenue & assessment obligations and all non-guaranteed obligations of agencies and authorities of U.S. governments	1		(2)		632
Industrial & miscellaneous	4		(664)		16,211
Asset-backed securities	2		(44)		11,082
Mortgage-backed securities	6		(145)		26,715
	13		(855)		54,640
Total bonds in a loss position	21	\$	(19,741)		205,756

<sup>1</sup> Comprised of two Berkshire Hathaway Group (Berkshire) (which is rated "AA") bonds.

### 6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

No change.

### 7. INVESTMENT INCOME

No change.

### 8. DERIVATIVE INSTRUMENTS

No change.

### 9. INCOME TAXES

No change.

### 10. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AFFILIATES AND OTHER RELATED PARTIES

#### *Significant Former Affiliate Transactions*

In July 2003, the Company sold its NATLSCO, Inc. subsidiary and related claim service operations (together subsequently renamed "Broadspire"). The 2003 sales agreement with Broadspire provided for certain contingent consideration (earn-out) based on the revenue and net income of the sold business for a four-year period beginning January 1, 2004 (the "Earn-out Period"). The sales agreement required the acceleration and payment of the remaining earn-out if Broadspire sold assets of NATLSCO during the Earn-out Period. In an arbitration proceeding, the Company is disputing the accuracy of the amounts paid by Broadspire for the 2004 and 2005 earn-out periods. In addition, in a series of three transactions between December 2004 and November 2006, Broadspire disposed of NATLSCO and certain of its assets. The Company is disputing the accuracy of Broadspire's calculations, and is

## NOTES TO FINANCIAL STATEMENTS

involved in arbitration proceedings with Broadspire related to the asset sales. In accordance with the Manual, the Company is not carrying an admitted asset for any future recoveries from Broadspire. In the first quarter of 2011 the Company received approximately \$6.4 million as a result of the arbitrator's ruling on the 2005 Earn-out Period. During the second quarter of 2010 the Company received approximately \$3.5 million as a result of the arbitrator's ruling on the 2004 Earn-out Period.

### 11. DEBT

No change.

### 12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

No change.

### 13. CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

Each payment of interest on and/or repayment of principal of the surplus notes issued by the Company in 1996 and 1997 may be made only with the prior approval of the Director of the Illinois Department of Insurance (the "Director"), which approval will only be granted if, in the judgment of the Director, the financial condition of the Company warrants the making of such payments and the Company's policyholders' surplus reflects sufficient funds to cover the amount of such payment. All payments of interest scheduled since January 1, 2003 have not been paid due to disapprovals by the Director based on the Company's financial condition. The cumulative amount of interest that was scheduled to be paid but is unpaid, plus the amount otherwise accruing in the third quarter of 2011 for which scheduled interest payment dates have not yet arrived, totaled \$541,525,000 as of September 30, 2011. In accordance with statutory accounting principles, this total amount is not reflected as a liability on the Company's statutory balance sheet as of September 30, 2011. On May 23, 2011, the Department disapproved the payments of interest due on June 1, 2011 and July 1, 2011 (and all previously disapproved interest payments) on the \$400,000,000 9.15% Surplus Notes due on July 1, 2026, the \$200,000,000 8.30% Surplus Notes due on December 1, 2037, and the \$100,000,000 8.45% Surplus Notes due on December 1, 2097.

### 14. CONTINGENCIES

No change.

### 15. LEASES

No change.

### 16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

No change.

### 17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

No change.

### 18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

No change.

### 19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS

No change.

### 20. FAIR VALUE MEASUREMENTS

Fair values are estimated at specific points in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Fair values are based on quoted market prices when available and appropriate. Otherwise fair values for financial instruments are generally determined using discounted cash flow models and assumptions that are based on judgments regarding current and future economic conditions and the risk characteristics of the investments. Although fair values are calculated using assumptions that management believes are appropriate, changes in assumptions could significantly affect the estimates and such estimates should be used with care.

Fair values are determined for existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and certain liabilities that are not considered financial instruments. For example, the Company's subsidiaries are

## NOTES TO FINANCIAL STATEMENTS

not considered financial instruments, and their value has not been incorporated into the fair value estimates. Accordingly, the aggregate fair value presented does not represent the underlying value of the Company.

The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments:

*Bonds:* Fair values for bonds are determined using quoted market prices from an orderly market at the reporting date for those or similar investments. If quoted market prices from an orderly market are not available, the fair value is determined using an income approach valuation technique (present value using the discount rate adjustment technique) that considers, among other things, interest rates, the issuer's credit spread, prepayments, performance of the underlying collateral for loan-backed securities and illiquidity by sector and maturity.

*Cash equivalents and short-term investments:* Fair values for money market funds are based on quoted market prices. Fair values for other instruments approximate amortized cost.

*Cash:* The statement value reported for cash approximates fair value.

*Unaffiliated common stocks:* Fair values for unaffiliated private placement common stocks are based on a discounted cash flow income approach and a cost approach.

*Notes receivable:* The fair value of notes receivable is determined in good faith by the Company's engaged portfolio manager based on the estimated timing of cash receipts and a discount rate appropriate for the borrower's credit status.

The statement values and fair values of the Company's financial instruments at September 30, 2011 and December 31, 2010 were as follows:

	2011		2010	
	Statement value	Fair value	Statement value	Fair value
	(In thousands)			
Financial instruments recorded as assets:				
Bonds	\$ 600,667	590,456	626,204	623,206
Cash, cash equivalents, and short-term investments	44,658	44,655	45,385	45,385
Unaffiliated common stocks	816	816	816	816
Notes receivable	0	0	0	0

The Company's financial assets carried at fair value have been classified, for disclosure purposes, based on a fair value hierarchy defined by SSAP No. 100, *Fair Value Measurements*. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's classification is determined based on the lowest level input that is significant to its fair value measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

*Level 1* - Inputs are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

*Level 2* - Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Examples of other inputs include market interest rates, volatilities, spreads, yield curves, prepayment speeds and default rates.

*Level 3* - Includes unobservable inputs that are supported by little or no market activity and are significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what assumptions hypothetical market participants would use to determine a transaction price for the asset at the reporting date.

The following table summarizes assets measured at fair value at September 30, 2011:

## NOTES TO FINANCIAL STATEMENTS

	Fair value measurement category			Total statement value
	Level 1	Level 2	Level 3	
	(In thousands)			
Bonds (NAIC 3-6)				
Residential mortgage-backed	\$ 0	527	0	527
Total Bonds (NAIC 3-6)	0	527	0	527
Unaffiliated common stock Industrial & Miscellaneous	0	0	816	816
Total common stock (unaffiliated)	0	0	816	816
Total	\$ 0	527	816	1,343

The Company's Level 2 residential mortgage-backed bond was priced by the IDC independent pricing service which primarily uses matrix pricing methodologies.

The fair value of the Company's Level 3 private placement common stock is the present value of the Company's share of the equity value of Facility Ins Hldg Corp's (FIHC) class A common stock per its most recent audited financial statements. The equity value was discounted from the August 1, 2017 Special Dividend date provided for in FIHC's Articles of Incorporation using a 5% discount rate.

There were no transfers of assets measured at fair value between any levels during 2011.

The following table reconciles the September 30, 2011 and December 31, 2010 statement values of assets measured at fair value using significant Level 3 inputs:

	Bonds (NAIC 3-6) - residential mortgage- backed	Unaffiliated common stock - industrial & miscellaneous	Total
	(In thousands)		
Statement value at 12/31/2010	\$ 0	816	816
Transfers into Level 3	0	0	0
Transfers out of Level 3	0	0	0
Total gains or losses:			
Realized included in net income	0	0	0
Unrealized included in surplus	0	0	0
Amortization of premium/discount	0	0	0
Purchases	0	0	0
Issuances	0	0	0
Sales	0	0	0
Settlements	0	0	0
Statement value at 9/30/2011	\$ 0	816	816

The Company's policy is to recognize transfers into and transfers out of the Level 3 category as of the beginning of the reporting period.

## 21. OTHER ITEMS

No change.

## 22. EVENTS SUBSEQUENT

No change.

## NOTES TO FINANCIAL STATEMENTS

### 23. REINSURANCE

No change.

### 24. RETROSPECTIVELY RATED CONTRACTS & CONTRACTS SUBJECT TO REDETERMINATION

No change.

### 25. CHANGES IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

Activity in the liabilities for losses and LAE is summarized as follows:

	2011	2010
	(in thousands)	
Balance as of January 1, net of reinsurance recoverables of \$543,567 in 2011 and \$890,864 in 2010	\$ 686,760	\$ 890,481
Incurred related to:		
Prescribed accounting practices - current accident year	(61,530)	(64,225)
Prescribed accounting practices - prior accident years	64,225	0
Development - current accident year	2,294	1,344
Development - prior accident years	5,644	64,100
Total incurred	10,633	1,219
Paid related to:		
Current accident year	(281)	(381)
Prior accident years	(43,311)	(204,559)
Total paid	(43,592)	(204,940)
Balance as of September 30, 2011 and December 31, 2010, net of reinsurance recoverables of \$430,433 in 2011 and \$543,567 in 2010	\$ 653,801	\$ 686,760

#### 2011 Calendar Year

The incurred loss and LAE reserves related to current accident year is comprised of prescribed accounting practices of \$(61.5) million and development of \$2.3 million.

The current accident year prescribed accounting practices directed by the Department (see Note 1) is comprised of:

1. Nominal favorable loss and LAE reserve development of \$86.9 million comprised primarily of (a) a \$44.2 million decrease arising from a prescribed accounting practice to reduce direct loss and ALE reserves, less amounts ceded to reinsurers, by 5%; and (b) a \$36.2 million decrease arising from a prescribed accounting practice to record a two year estimate for assumed loss and ALE reserves, less offsets available to reinsurers, and; (c) a \$6.5 million decrease arising from a prescribed accounting practice to record a two year estimate for ULAE reserves; and
2. A reduction of discount of \$25.4 million comprised primarily of (a) a \$13.8 million decrease arising from a prescribed accounting practice to reduce direct loss and ALE reserves, less amounts ceded to reinsurers, by 5%; and (b) a \$11.4 million decrease arising from a prescribed accounting practice to record a two year estimate for assumed loss and ALE reserves, less offsets available to reinsurers, and; (c) a \$0.2 million decrease arising from a prescribed accounting practice to record a two year estimate for ULAE reserves.

The incurred loss and LAE reserves related to prior accident years is comprised of prescribed accounting practices of \$64.2 million and development of \$5.6 million.

The prior accident year development in 2011 is due to:

1. The prescribed accounting practices of \$64.2 from December 31, 2010 was moved to the current accident year.
2. Nominal loss and LAE reserve increase of \$3.9 million was comprised of (a) a \$0.7 million increase in development and (b) a \$6.8 million decrease arising from buybacks, commutations, and novations; and (c) a \$10.0 million increase arising from surety reserve strengthening; and
3. A reduction of discount of \$1.7 million comprised of (a) a \$20.7 million decrease for anticipated amortization of discount; and (b) a \$19.0 million increase associated with buybacks, commutations, and novations.

#### 2010 Calendar Year

## NOTES TO FINANCIAL STATEMENTS

The incurred loss and LAE reserves related to current accident year is comprised of prescribed accounting practices of \$(64.2) million and development of \$1.3 million.

The current accident year prescribed accounting practices directed by the Department (see Note 1) is comprised of:

1. Nominal favorable loss and LAE reserve development of \$86.9 million comprised primarily of (a) a \$44.4 million decrease arising from a prescribed accounting practice to reduce direct loss and ALE reserves, less amounts ceded to reinsurers, by 5%; and (b) a \$36.5 million decrease arising from a prescribed accounting practice to record a two year estimate for assumed loss and ALE reserves, less offsets available to reinsurers, and; (c) a \$7.4 million decrease arising from a prescribed accounting practice to record a two year estimate for ULAE reserves; and
2. A reduction of discount of \$24.0 million comprised primarily of (a) a \$13.5 million decrease arising from a prescribed accounting practice to reduce direct loss and ALE reserves, less amounts ceded to reinsurers, by 5%; and (b) a \$10.3 million decrease arising from a prescribed accounting practice to record a two year estimate for assumed loss and ALE reserves, less offsets available to reinsurers, and; (c) a \$0.2 million decrease arising from a prescribed accounting practice to record a two year estimate for ULAE reserves.

The incurred loss and LAE reserves related to prior accident years increased by \$64.1 million in 2010.

The prior accident year development in 2010 is due to:

1. Nominal adverse loss and LAE reserve development of \$26.3 million comprised of (a) a \$15.9 million increase arising primarily from deterioration in workers' compensation, CMP, special property, surety and products liability, that was partially offset by favorable development in A&H, commercial auto liability, other liability, special liability, personal lines and reinsurance nonproportional and (b) a \$3.1 million increase arising from buybacks, commutations, and novations; and (c) a \$7.3 million increase which is attributable to a correction of an error; and
2. A reduction of discount of \$37.8 million comprised of (a) a \$36.0 million decrease for anticipated amortization of discount; (b) an \$9.2 million decrease due to nominal reserve strengthening; and (c) a \$5.2 million increase associated with buybacks, commutations, and novations; and (d) a \$2.2 million increase which is attributable to a correction of an error.

### **26. INTERCOMPANY POOLING ARRANGEMENTS**

No change.

### **27. STRUCTURED SETTLEMENTS**

No change.

### **28. HEALTH CARE RECEIVABLES**

No change.

### **29. PARTICIPATING POLICIES**

No change.

### **30. PREMIUM DEFICIENCY RESERVES**

No change.

### **31. HIGH DEDUCTIBLE**

No change.

### **32. DISCOUNTING OF LIABILITIES FOR UNPAID LOSSES OR UNPAID LOSS ADJUSTMENT EXPENSES**

No change.

### **33. ASBESTOS/ENVIRONMENTAL RESERVES**

No change.

### **34. SUBSCRIBER SAVINGS ACCOUNT**

No change.

### **35. MULTIPLE PERIL CROP INSURANCE**

No change.

## NOTES TO FINANCIAL STATEMENTS

**36. FINANCIAL GUARANTY INSURANCE**

No change.

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? ..... Yes [ ] No [X]
- 1.2 If yes, has the report been filed with the domiciliary state? ..... Yes [ ] No [ ]
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? ..... Yes [ ] No [X]
- 2.2 If yes, date of change: .....
3. Have there been any substantial changes in the organizational chart since the prior quarter end? ..... Yes [ ] No [X]  
If yes, complete the Schedule Y - Part 1 - organizational chart.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? ..... Yes [ ] No [X]
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? ..... Yes [ ] No [ ] NA [X]  
If yes, attach an explanation.
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. .... 12/31/2010
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. .... 12/31/2005
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). .... 07/11/2007
- 6.4 By what department or departments?  
Illinois.....
- 6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? ..... Yes [X] No [ ] NA [ ]
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? ..... Yes [X] No [ ] NA [ ]
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? ..... Yes [ ] No [X]
- 7.2 If yes, give full information:  
.....
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? ..... Yes [ ] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.  
.....
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? ..... Yes [ ] No [X]
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC



## GENERAL INTERROGATORIES

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?..... Yes  No
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.

9.11 If the response to 9.1 is No, please explain:  
.....

9.2 Has the code of ethics for senior managers been amended?..... Yes  No

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).  
.....

9.3 Have any provisions of the code of ethics been waived for any of the specified officers?..... Yes  No

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).  
.....

### FINANCIAL

10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?..... Yes  No

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: ..... \$ .....0

### INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) ..... Yes  No

11.2 If yes, give full and complete information relating thereto:  
.....

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: ..... \$ .....13,218,922

13. Amount of real estate and mortgages held in short-term investments: ..... \$ .....

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? ..... Yes  No

14.2 If yes, please complete the following:

	1		2	
	Prior Year-End Book/Adjusted Carrying Value		Current Quarter Book/Adjusted Carrying Value	
14.21 Bonds .....	\$ .....		\$ .....	
14.22 Preferred Stock .....	\$ .....		\$ .....	
14.23 Common Stock .....	\$ .....60,439,779		\$ .....62,223,453	
14.24 Short-Term Investments .....	\$ .....		\$ .....	
14.25 Mortgage Loans on Real Estate .....	\$ .....		\$ .....	
14.26 All Other .....	\$ .....13,253,905		\$ .....13,218,922	
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26).....	\$ .....73,693,684		\$ .....75,442,375	
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above .....	\$ .....		\$ .....	

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? ..... Yes  No

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? ..... Yes  No   
If no, attach a description with this statement.

## GENERAL INTERROGATORIES

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

Yes  No

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

1 Name of Custodian(s)	2 Custodian Address
BNY Mellon Trust Company of Illinois.....	2 North LaSalle St., Suite 1020, Chicago, IL 60602...

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

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

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? .....

Yes  No

16.4 If yes, give full and complete information relating thereto:

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

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

1 Central Registration Depository	2 Name(s)	3 Address
109875.....	Asset Allocation & Management Company, L.L.C.....	30 North LaSalle St., 35th Floor, Chicago, IL 60602.....

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? .....

Yes  No

17.2 If no, list exceptions:

.....

STATEMENT AS OF SEPTEMBER 30, 2011 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted.)

PART 2

PROPERTY & CASUALTY INTERROGATORIES

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change? ..... Yes [ ] No [X] NA [ ]  
If yes, attach an explanation.
  
2. Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? ..... Yes [ ] No [X]  
If yes, attach an explanation.
  
- 3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? ..... Yes [ ] No [X]
- 3.2 If yes, give full and complete information thereto.  
.....
  
- 4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation tabular reserves (see Annual Statement Instructions pertaining to disclosure of discounting for definition of "tabular reserves,") discounted at a rate of interest greater than zero? ..... Yes [X] No [ ]
- 4.2 If yes, complete the following schedule:

1 Line of Business	2 Maximum Interest	3 Discount Rate	TOTAL DISCOUNT				DISCOUNT TAKEN DURING PERIOD			
			4 Unpaid Losses	5 Unpaid LAE	6 IBNR	7 TOTAL	8 Unpaid Losses	9 Unpaid LAE	10 IBNR	11 TOTAL
1.Homeowners/Farmowners.....		4.200			51,486	51,486			(3,573)	(3,573)
2.Private Passenger Auto Liability.....		4.200			557,653	557,653			(38,862)	(38,862)
3.Commercial Auto Liability.....		4.200			9,283,613	9,283,613			(6,494)	(6,494)
4.Workers' Compensation.....		4.200			151,473,317	151,473,317			1,247,236	1,247,236
5.Commercial Multi Peril.....		4.200			9,098,644	9,098,644			(628,814)	(628,814)
6.Medical Malpractice - Occurrence.....		4.200			8,690	8,690			(603)	(603)
7.Medical Malpractice - Claims Made.....		4.200			2,781	2,781			(189)	(189)
8.Special Liability.....		4.200			421,379	421,379			(29,376)	(29,376)
9.Other Liability - Occurrence.....		4.200			(8,752,050)	(8,752,050)			(2,152,774)	(2,152,774)
10.Other Liability - Claims Made.....		4.200			3,599,643	3,599,643			(304,867)	(304,867)
11.Special Property.....		4.200			2,975	2,975			(207)	(207)
12.Auto Physical Damage.....		4.200			360	360			(27)	(27)
13.Fidelity/Surety.....		4.200			441,740	441,740			(30,762)	(30,762)
14.Other.....		4.200			4,475,381	4,475,381			(675,000)	(675,000)
17.Reinsurance Nonproportional Assumed Liability.....		4.200			2,082,778	2,082,778			(805,241)	(805,241)
19.Product Liability - Occurrence.....		4.200			9,696,799	9,696,799			621,559	621,559
<b>TOTAL</b>			0	0	182,445,189	182,445,189	0	0	(2,807,994)	(2,807,994)

5. Operating Percentages:
  - 5.1 A&H loss percent ..... 83,449.8%
  - 5.2 A&H cost containment percent ..... 0.0%
  - 5.3 A&H expense percent excluding cost containment expenses ..... 20,917.6%
  
- 6.1 Do you act as a custodian for health savings accounts? ..... Yes [ ] No [X]
- 6.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$.....
- 6.3 Do you act as an administrator for health savings accounts? ..... Yes [ ] No [X]
- 6.4 If yes, please provide the balance of the funds administered as of the reporting date. \$.....

**SCHEDULE F—CEDED REINSURANCE**

Showing All New Reinsurers - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Name of Reinsurer	4 Domiciliary Jurisdiction	5 Is Insurer Authorized? (Yes or No)
		AFFILIATES		
		US INSURERS		
		POOLS AND ASSOCIATIONS		
		ALL OTHER INSURERS		
<b>NONE</b>				

STATEMENT AS OF SEPTEMBER 30, 2011 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

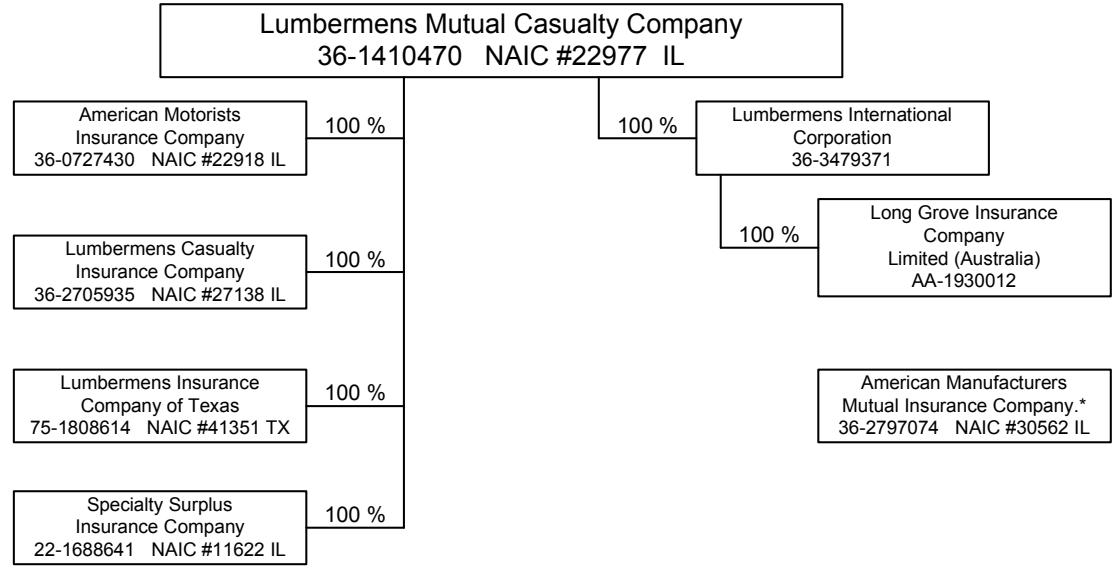
Current Year to Date - Allocated by States and Territories

States, etc.	1 Active Status	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid		
		2 Current Year To Date	3 Prior Year To Date	4 Current Year To Date	5 Prior Year To Date	6 Current Year To Date	7 Prior Year To Date	
1. Alabama	AL	L	3,537	457	433,674	511,746	3,518,330	5,247,320
2. Alaska	AK	L	104	18	344,795	192,333	973,891	877,960
3. Arizona	AZ	L	1,269	797	322,230	659,943	7,708,811	8,033,776
4. Arkansas	AR	L	0	3	208,338	84,380	1,087,480	1,055,694
5. California	CA	L	251,575	79,676	6,404,642	11,792,710	85,117,143	79,488,675
6. Colorado	CO	L	186	2,320	209,933	150,773	823,919	1,942,584
7. Connecticut	CT	L	9,019	1,741	1,059,224	963,829	3,362,682	3,162,294
8. Delaware	DE	L	(34)	589	304,469	428,291	2,572,006	3,583,223
9. District of Columbia	DC	L	194	7	170,465	373,634	1,291,698	949,338
10. Florida	FL	N	15,356	4,142	1,288,945	2,292,769	3,435,216	8,227,684
11. Georgia	GA	L	28,210	1,812	416,044	4,537,848	3,493,495	5,040,213
12. Hawaii	HI	L	17,847	22,352	289,611	419,361	959,844	1,233,629
13. Idaho	ID	L	(719)	372	0	(13,318)	582	1,266
14. Illinois	IL	L	12,875	(2,787)	2,371,340	1,679,090	18,816,844	26,491,232
15. Indiana	IN	L	9,940	2,494	438,572	1,287,966	3,315,249	2,687,181
16. Iowa	IA	L	1,153	5,214	111,902	95,999	1,487,131	1,834,490
17. Kansas	KS	L	527	1,400	1,790	54,074	192,062	394,642
18. Kentucky	KY	L	0	0	1,131,765	1,407,600	8,165,271	10,708,301
19. Louisiana	LA	L	(1,094)	(20,704)	27,672	234,323	2,021,418	2,127,042
20. Maine	ME	L	487	258	11,706	12,874	32,816	71,916
21. Maryland	MD	L	979	(3,130)	1,138,980	179,383	4,168,414	5,024,740
22. Massachusetts	MA	L	(11,391)	3,463	1,383,011	1,485,009	5,054,320	6,419,230
23. Michigan	MI	L	38,267	11,542	2,129,919	3,929,046	7,680,353	8,054,519
24. Minnesota	MN	L	8,943	(18,355)	561,745	1,152,175	2,743,852	10,918,921
25. Mississippi	MS	L	66	5,310	45,890	124,509	386,231	194,293
26. Missouri	MO	L	1,473	1,445	409,303	358,593	1,446,642	2,451,573
27. Montana	MT	L	55	521	56,189	68,991	399,412	500,432
28. Nebraska	NE	L	(71)	1,483	(466,588)	45,647	1,387,545	1,849,105
29. Nevada	NV	L	190	(24,807)	191,375	104,591	738,474	1,367,788
30. New Hampshire	NH	L	1,790	1,058	183,044	113,774	1,270,938	1,258,109
31. New Jersey	NJ	L	27,912	13,567	4,291,177	8,552,116	24,005,047	41,005,825
32. New Mexico	NM	L	(45)	608	49,363	129,805	441,326	597,998
33. New York	NY	L	(10,043)	161,648	2,549,619	7,125,013	53,286,120	62,147,101
34. No. Carolina	NC	L	19,472	(1,246)	1,142,489	991,919	3,558,353	7,761,062
35. No. Dakota	ND	L	33	5	0	0	(41)	240
36. Ohio	OH	L	8,104	714	388,147	2,594,508	4,829,668	7,713,903
37. Oklahoma	OK	L	0	0	177,048	13,533	620,788	802,455
38. Oregon	OR	L	619	9,690	234,840	190,806	3,106,674	3,680,631
39. Pennsylvania	PA	L	0	1	764,552	12,631,320	5,842,775	8,913,848
40. Rhode Island	RI	L	87	(2,611)	279,876	1,400,926	1,352,274	1,080,054
41. So. Carolina	SC	L	(1,814)	19,236	620,386	1,052,337	5,739,532	7,298,472
42. So. Dakota	SD	L	47	374	7,742	8,191	79,372	95,838
43. Tennessee	TN	L	55,410	(3,099)	525,455	1,244,849	3,962,120	5,082,581
44. Texas	TX	L	0	0	1,419,865	3,314,989	34,951,710	51,673,916
45. Utah	UT	L	83	1,270	605	38,669	25,274	274,545
46. Vermont	VT	L	42	3,356	133,066	243,982	786,046	820,072
47. Virginia	VA	L	100	51	1,308,733	1,042,822	3,018,620	4,036,743
48. Washington	WA	L	(514)	559	67,543	1,079,160	859,577	1,420,525
49. West Virginia	WV	L	47	97	8,960	10,801	106,924	140,330
50. Wisconsin	WI	L	137,270	(229,596)	616,102	1,251,844	2,072,302	1,204,371
51. Wyoming	WY	L	(575)	252	19,483	14,240	126,188	148,404
52. American Samoa	AS	N	0	0	0	0	0	0
53. Guam	GU	N	0	0	0	0	0	0
54. Puerto Rico	PR	N	0	0	57,377	55,576	421,712	301,011
55. U.S. Virgin Islands	VI	N	0	0	0	0	0	0
56. Northern Mariana Islands	MP	N	0	0	0	0	0	0
57. Canada	CN	L	0	(282)	0	(50,000)	3,442	28,840
58. Aggregate Other Alien	OT	XXX	(4,132)	3,726	30,445	5,580,253	(46,474,324)	181,733
59. Totals	(a) 50		622,836	57,011	35,872,858	83,245,602	276,373,548	407,607,668
<b>DETAILS OF WRITE-INS</b>								
5801. Mexico	XXX		0	0	0	0	475	4,123
5802. Caribbean	XXX		0	0	0	0	(74)	420
5803. Asia	XXX		0	0	0	0	527	28,965
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX		(4,132)	3,726	30,445	5,580,253	(46,475,252)	148,225
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX		(4,132)	3,726	30,445	5,580,253	(46,474,324)	181,733

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

(a) Insert the number of L responses except for Canada and Other Alien.

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 - ORGANIZATIONAL CHART**



\* American Manufacturers Mutual Insurance Company is an affiliated mutual company.  
Percentages show common stock ownership as of 09/30/2011.

## PART 1 - LOSS EXPERIENCE

Line of Business	Current Year to Date			4 Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire		2,664	0.0	585.8
2. Allied lines		(189)	0.0	0.0
3. Farmowners multiple peril			0.0	0.0
4. Homeowners multiple peril		126	0.0	0.0
5. Commercial multiple peril		(152,244)	0.0	(52.8)
6. Mortgage guaranty			0.0	0.0
8. Ocean marine			0.0	0.0
9. Inland marine	525	566	107.8	1.6
10. Financial guaranty			0.0	0.0
11.1 Medical professional liability - occurrence		216	0.0	0.0
11.2 Medical professional liability - claims made		189	0.0	0.0
12. Earthquake			0.0	0.0
13. Group accident and health		675,000	0.0	0.0
14. Credit accident and health			0.0	0.0
15. Other accident and health	24,125		0.0	145.3
16. Workers' compensation	463,997	(13,795,696)	(2,973.2)	23,334.0
17.1 Other liability occurrence	5,454	(65,532)	(1,201.5)	(35,486.0)
17.2 Other liability - claims made		205,633	0.0	943.8
17.3 Excess Workers' Compensation		178,002	0.0	
18.1 Products liability - occurrence	17,272	(1,030,236)	(5,964.8)	(921.3)
18.2 Products liability - claims made			0.0	0.0
19.1,19.2 Private passenger auto liability		(38,367)	0.0	0.0
19.3,19.4 Commercial auto liability	1,119	518,153	46,305.0	3,642.2
21. Auto physical damage	2,581	(4,545)	(176.1)	455.3
22. Aircraft (all perils)		29,241	0.0	(639.4)
23. Fidelity		9	0.0	0.0
24. Surety	146,555	148,813	101.5	47.8
26. Burglary and theft			0.0	0.0
27. Boiler and machinery			0.0	0.0
28. Credit			0.0	0.0
29. International			0.0	0.0
30. Warranty			0.0	0.0
31. Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business	0	5,116,667	0.0	0.0
35. TOTALS	661,628	(8,211,530)	(1,241.1)	(28,370.7)
<b>DETAILS OF WRITE-INS</b>				
3401. Prescribed Accounting Practices		5,116,667	0.0	0.0
3402. ....				
3403. ....				
3498. Sum. of remaining write-ins for Line 34 from overflow page	0	0	0.0	0.0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34)	0	5,116,667	0.0	0.0

## PART 2 - DIRECT PREMIUMS WRITTEN

Line of Business	1	2	3
	Current Quarter	Current Year to Date	Prior Year Year to Date
1. Fire	0		(872)
2. Allied lines	0		0
3. Farmowners multiple peril	0		0
4. Homeowners multiple peril	0		0
5. Commercial multiple peril	0		61,176
6. Mortgage guaranty	0		0
8. Ocean marine	0		0
9. Inland marine	0	100	29,240
10. Financial guaranty	0		0
11.1 Medical professional liability - occurrence	0		0
11.2 Medical professional liability - claims made	0		0
12. Earthquake	0		0
13. Group accident and health	0		0
14. Credit accident and health	0		0
15. Other accident and health	(2,089)	24,125	2,898
16. Workers' compensation	(18,096)	463,997	(170,121)
17.1 Other liability-occurrence	0	5,454	(2,463)
17.2 Other liability - claims made	0		0
17.3 Excess Workers' Compensation	0		0
18.1 Products liability - occurrence	0	3,843	(3,848)
18.2 Products liability - claims made	0		0
19.1,19.2 Private passenger auto liability	0		0
19.3,19.4 Commercial auto liability	67	1,119	14,029
21. Auto physical damage	0	2,581	(844)
22. Aircraft (all perils)	0		(8,649)
23. Fidelity	0		0
24. Surety	63,210	121,617	136,465
26. Burglary and theft	0		0
27. Boiler and machinery	0		0
28. Credit	0		0
29. International	0		0
30. Warranty	0		0
31. Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business	0	0	0
35. TOTALS	43,092	622,836	57,011
<b>DETAILS OF WRITE-INS</b>			
3401. ....			
3402. ....			
3403. ....			
3498. Sum. of remaining write-ins for Line 34 from overflow page	0	0	0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34)	0	0	0

STATEMENT AS OF SEPTEMBER 30, 2011 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

	1	2	3	4	5	6	7	8	9	10	11	12	13
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2011 Loss and LAE Payments on Claims Reported as of Prior Year-End	2011 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2011 Loss and LAE Payments (Cols. 4 + 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year-End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	Q.S. Date IBNR Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols.7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 4 + 7 minus Col. 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	Prior Year-End Total Loss and LAE Reserve Developed (Savings)/ Deficiency (Cols. 11 + 12)
1. 2008 + Prior	813,353	(64,247)	749,106	37,900	4,455	42,355	790,114	5,225	(89,768)	705,571	14,661	(15,841)	(1,180)
2. 2009	395	521	916	(15)	16	1	370	51	376	797	(40)	(78)	(118)
3. Subtotals 2009 + prior	813,748	(63,726)	750,022	37,885	4,471	42,356	790,484	5,276	(89,392)	706,368	14,621	(15,919)	(1,298)
4. 2010	35	(63,297)	(63,262)	955		955	7,478		(529)	6,949	8,398	62,768	71,166
5. Subtotals 2010 + prior	813,783	(127,023)	686,760	38,840	4,471	43,311	797,962	5,276	(89,921)	713,317	23,019	46,849	69,868
6. 2011	XXX	XXX	XXX	XXX	281	281	XXX	323	(59,839)	(59,516)	XXX	XXX	XXX
7. Totals	813,783	(127,023)	686,760	38,840	4,752	43,592	797,962	5,599	(149,760)	653,801	23,019	46,849	69,868
8. Prior Year-End Surplus As Regards Policyholders	34,865										Col. 11, Line 7 As % of Col. 1 Line 7	Col. 12, Line 7 As % of Col. 2 Line 7	Col. 13, Line 7 As % of Col. 3 Line 7
											1. 2.8	2. (36.9)	3. 10.2
													Col. 13, Line 7 As a % of Col. 1 Line 8
													4. 200.4



## SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing on "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

	<u>RESPONSE</u>
1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?	.....NO.....
2. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?	.....YES.....
3. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	.....NO.....
4. Will the Director and Officer Supplement be filed with the state of domicile and the NAIC with this statement?	.....YES.....

**Explanation:**

1.

3.

**Bar Code:**



## OVERFLOW PAGE FOR WRITE-INS

PQ010 Additional Aggregate Lines for Page 10 Line 58.

\*SCT

	1 Active Status	2 Current Year To Date	3 Prior Year To Date	4 Current Year To Date	5 Prior Year To Date	6 Current Year To Date	7 Prior Year To Date
5804. Australia.....	.XXX		.0		.0	.36	.139
5805. Europe.....	.XXX		.0	30,445	5,580,253	143,501	135,993
5806. Central & South America.....	.XXX		.0		.0	.60	10,658
5807. Africa.....	.XXX	(4,132)	3,726		.0	.75	1,435
Prescribed Accounting Practice.....	.XXX		.0		.0	(46,618,924)	.0
5897. Summary of remaining write-ins for Line 58 from Page 10	.XXX	(4,132)	3,726	30,445	5,580,253	(46,475,252)	148,225

**SCHEDULE A - VERIFICATION**

**Real Estate**

	1 Year to Date	2 Prior Year Ended December 31
<b>NONE</b>		
1. Book/adjusted carrying value, December 31 of prior year.....	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition.....	0	0
2.2 Additional investment made after acquisition.....	0	0
3. Current year change in encumbrances.....	0	0
4. Total gain (loss) on disposals.....	0	0
5. Deduct amounts received on disposals.....	0	0
6. Total foreign exchange change in book/adjusted carrying value.....	0	0
7. Deduct current year's other than temporary impairment recognized.....	0	0
8. Deduct current year's depreciation.....	0	0
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8).....	0	0
10. Deduct total nonadmitted amounts.....	0	0
11. Statement value at end of current period (Line 9 minus Line 10).....	0	0

**SCHEDULE B – VERIFICATION**

**Mortgage Loans**

	1 Year to Date	2 Prior Year Ended December 31
<b>NONE</b>		
1. Book value/recorded investment excluding accrued interest, December 31 of prior year.....	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition.....	0	0
2.2 Additional investment made after acquisition.....	0	0
3. Capitalized deferred interest and other.....	0	0
4. Accrual of discount.....	0	0
5. Unrealized valuation increase (decrease).....	0	0
6. Total gain (loss) on disposals.....	0	0
7. Deduct amounts received on disposals.....	0	0
8. Deduct amortization of premium and mortgage interest points and commitment fees.....	0	0
9. Total foreign exchange change in book value/recorded investment excluding accrued interest.....	0	0
10. Deduct current year's other than temporary impairment recognized.....	0	0
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10).....	0	0
12. Total valuation allowance.....	0	0
13. Subtotal (Line 11 plus Line 12).....	0	0
14. Deduct total nonadmitted amounts.....	0	0
15. Statement value at end of current period (Line 13 minus Line 14).....	0	0

**SCHEDULE BA – VERIFICATION**

**Other Long-Term Invested Assets**

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	13,253,905	5,618,196
2. Cost of acquired:		
2.1 Actual cost at time of acquisition.....	0	0
2.2 Additional investment made after acquisition.....	743,340	0
3. Capitalized deferred interest and other.....	0	0
4. Accrual of discount.....	0	61,058
5. Unrealized valuation increase (decrease).....	(34,983)	7,938,684
6. Total gain (loss) on disposals.....	171,696	0
7. Deduct amounts received on disposals.....	915,036	364,033
8. Deduct amortization of premium and depreciation.....	0	0
9. Total foreign exchange change in book/adjusted carrying value.....	0	0
10. Deduct current year's other than temporary impairment recognized.....	0	0
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10).....	13,218,922	13,253,905
12. Deduct total nonadmitted amounts.....	0	0
13. Statement value at end of current period (Line 11 minus Line 12).....	13,218,922	13,253,905

**SCHEDULE D – VERIFICATION**

**Bonds and Stocks**

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year.....	687,460,660	866,859,884
2. Cost of bonds and stocks acquired.....	131,662,929	67,631,936
3. Accrual of discount.....	413,370	515,279
4. Unrealized valuation increase (decrease).....	1,777,496	1,113,796
5. Total gain (loss) on disposals.....	2,689,821	4,884,555
6. Deduct consideration for bonds and stocks disposed of.....	157,474,131	247,854,711
7. Deduct amortization of premium.....	2,823,228	5,038,777
8. Total foreign exchange change in book/adjusted carrying value.....	0	0
9. Deduct current year's other than temporary impairment recognized.....	0	651,302
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	663,706,917	687,460,660
11. Deduct total nonadmitted amounts.....	0	0
12. Statement value at end of current period (Line 10 minus Line 11).....	663,706,917	687,460,660

STATEMENT AS OF SEPTEMBER 30, 2011 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY

**SCHEDULE D - PART 1B**

Showing the Acquisitions, Dispositions and Non-Trading Activity  
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1 (a).....	628,480,685	138,147,792	127,731,157	(1,517,136)	628,589,918	628,480,685	637,380,184	664,484,715
2. Class 2 (a).....	3,324,309	0	159,280	685,371	3,332,933	3,324,309	3,850,400	3,345,392
3. Class 3 (a).....	0	0	0	0	0	0	0	0
4. Class 4 (a).....	0	0	0	0	0	0	0	0
5. Class 5 (a).....	0	0	0	0	0	0	0	0
6. Class 6 (a).....	0	0	0	0	0	0	0	0
7. Total Bonds	631,804,994	138,147,792	127,890,437	(831,765)	631,922,850	631,804,994	641,230,584	667,830,107
<b>PREFERRED STOCK</b>								
8. Class 1.....	0	0	0	0	0	0	0	0
9. Class 2.....	0	0	0	0	0	0	0	0
10. Class 3.....	0	0	0	0	0	0	0	0
11. Class 4.....	0	0	0	0	0	0	0	0
12. Class 5.....	0	0	0	0	0	0	0	0
13. Class 6.....	0	0	0	0	0	0	0	0
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds & Preferred Stock	631,804,994	138,147,792	127,890,437	(831,765)	631,922,850	631,804,994	641,230,584	667,830,107

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$.....0 ; NAIC 2 \$.....0 ; NAIC 3 \$.....0 ; NAIC 4 \$.....0 ; NAIC 5 \$.....0 ; NAIC 6 \$.....0

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**SCHEDULE DA - PART 1****Short-Term Investments**

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
9199999	40,563,543	XXX	40,604,131	1,592	70,000

**SCHEDULE DA - VERIFICATION****Short-Term Investments**

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	39,131,099	58,255,553
2. Cost of short-term investments acquired .....	234,056,060	370,843,988
3. Accrual of discount.....	9,508	54,892
4. Unrealized valuation increase (decrease).....	0	0
5. Total gain (loss) on disposals.....	735	155
6. Deduct consideration received on disposals.....	232,593,272	389,989,539
7. Deduct amortization of premium.....	40,588	33,950
8. Total foreign exchange change in book/adjusted carrying value.....	0	0
9. Deduct current year's other than temporary impairment recognized.....	0	0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	40,563,543	39,131,099
11. Deduct total nonadmitted amounts.....	0	0
12. Statement value at end of current period (Line 10 minus Line 11)	40,563,543	39,131,099

Schedule DB - Part A - Verification

**NONE**

Schedule DB - Part B- Verification

**NONE**

Schedule DB - Part C - Section 1

**NONE**

Schedule DB - Part C - Section 2

**NONE**

Schedule DB - Verification

**NONE**

## SCHEDULE E-VERIFICATION

(Cash Equivalents)

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	2,494,550	0
2. Cost of cash equivalents acquired.....	0	2,494,550
3. Accrual of discount.....	5,450	0
4. Unrealized valuation increase (decrease).....	0	0
5. Total gain (loss) on disposals.....	0	0
6. Deduct consideration received on disposals.....	2,500,000	0
7. Deduct amortization of premium.....	0	0
8. Total foreign exchange change in book/adjusted carrying value.....	0	0
9. Deduct current year's other than temporary impairment recognized.....	0	0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	0	2,494,550
11. Deduct total nonadmitted amounts.....	0	0
12. Statement value at end of current period (Line 10 minus Line 11)	0	2,494,550

Schedule A - Part 2

**NONE**

Schedule A - Part 3

**NONE**

Schedule B - Part 2

**NONE**

Schedule B - Part 3

**NONE**

Schedule BA - Part 2

**NONE**

Schedule BA - Part 3

**NONE**



STATEMENT AS OF SEPTEMBER 30, 2011 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
.03064G-AC-5	AMCAR 2010-B A3		.08/23/2011	JP MORGAN SECURITIES		5,121,094	5,000,000	6,917	1FE
.07383F-X5-2	BSCMS 2004-PWR6 A6		.07/26/2011	DEUTSCHE BANK SECURITIES		5,383,594	5,000,000	18,764	1Z*
20047G-BQ-9	COMM 2004-LB3A A5		.08/22/2011	CORTVIEW CAPITAL HOLDINGS		5,424,219	5,000,000	18,423	1Z*
23317F-AA-4	DDR 2009-DDR1 A		.08/17/2011	VARIOUS		4,704,472	4,516,227	12,600	1Z*
.674599-CB-9	OCCIDENTAL PETROLEUM COR		.08/15/2011	BARCLAYS CAPITAL		1,564,927	1,580,000	0	1FE
.74432G-AB-3	PCMT 2003-PWR1 A2		.08/10/2011	BANK OF AMERICA		5,187,109	5,000,000	8,736	1Z*
.85171U-AA-5	SLFMT 2011-1A A1		.08/31/2011	BANK OF AMERICA		5,295,697	5,300,000	36,371	1FE
.929766-X4-0	WBCMT 2005-C19 A6		.09/13/2011	CREDIT SUISSE FIRST BOSTON		4,864,922	4,500,000	8,811	1
.06415C-AA-7	BANK OF NOVA SCOTIA	A	.07/26/2011	BARCLAYS CAPITAL		6,996,710	7,000,000	0	1FE
.89114Q-AA-6	TORONTO-DOMINION BANK	A	.07/07/2011	GOLDMAN SACHS & CO		907,898	910,000	0	1FE
3899999 - Total	- Bonds - Industrial, Misc.					45,450,642	43,806,227	110,622	XXX
8399997 - Total	- Bonds - Part 3					45,450,642	43,806,227	110,622	XXX
8399999 - Total	- Bonds					45,450,642	43,806,227	110,622	XXX
8999999 - Total	- Preferred Stocks					0	XXX	0	XXX
9799999 - Total	- Common Stocks					0	XXX	0	XXX
9899999 - Total	- Preferred and Common Stocks					0	XXX	0	XXX
9999999 Totals						45,450,642	XXX	110,622	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues .....0

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STATEMENT AS OF SEPTEMBER 30, 2011 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22		
										11	12	13	14	15									
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/(Decrease)	Current Year's (Amortization)/Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)		
3133MN-VV-0.	FEDERAL HOME LOAN BANK		09/28/2011	CITIGROUP		4,263,438	4,120,000	4,422,754	4,154,165	0	(10,125)	0	(10,125)	0	4,144,040	0	119,398	119,398	379,129	05/15/2012	1FE		
36210Y-LZ-6.	GNMA 506244		09/01/2011	MBS PAYDOWN		14	14	14	14	0	0	0	0	0	14	0	0	0	0	05/01/2027	1FE		
36225A-T9-1.	GNMA 780576		09/01/2011	MBS PAYDOWN		183	183	195	185	0	(2)	0	(2)	0	183	0	0	0	9	03/01/2022	1FE		
912828-NX-4.	US TREASURY NOTE		09/29/2011	FEDERAL RESERVE		1,422,528	1,433,700	1,431,818	1,432,055	0	698	0	698	0	1,432,753	0	(10,225)	(10,225)	2,688	09/30/2012	1		
0599999 - Bonds - U.S. Governments						5,686,162	5,553,896	5,854,783	5,586,418	0	(9,429)	0	(9,429)	0	5,576,989	0	109,173	109,173	381,827	XXX	XXX		
31297X-S9-6.	FHLMC GOLD C40544		09/01/2011	MBS PAYDOWN		29	29	33	29	0	0	0	0	0	29	0	0	0	2	11/01/2028	1FE		
31371H-X2-9.	FNMA 252797		09/01/2011	MBS PAYDOWN		486	486	516	492	0	(6)	0	(6)	0	486	0	0	0	24	07/01/2014	1FE		
31384S-BH-1.	FNMA 532040		09/01/2011	MBS PAYDOWN		109	109	122	109	0	0	0	0	0	109	0	0	0	6	11/01/2027	1FE		
31384S-BN-8.	FNMA 532045		09/01/2011	MBS PAYDOWN		1,223	1,223	1,331	1,248	0	(25)	0	(25)	0	1,223	0	0	0	61	01/01/2015	1FE		
31385E-AB-2.	FNMA 541931		09/01/2011	MBS PAYDOWN		8	8	9	8	0	0	0	0	0	8	0	0	0	0	12/01/2029	1FE		
31386F-4C-6.	FNMA 562519		09/01/2011	MBS PAYDOWN		23	23	25	23	0	0	0	0	0	23	0	0	0	1	01/01/2031	1FE		
31392W-MR-8.	FHR 2515 GP		09/01/2011	MBS PAYDOWN		27,255	27,255	27,889	27,316	0	(61)	0	(61)	0	27,255	0	0	0	979	02/01/2015	1FE		
31394E-MS-4.	FNR 2005-62 DB		09/01/2011	MBS PAYDOWN		767,562	767,562	796,585	771,467	0	(3,905)	0	(3,905)	0	767,562	0	0	0	28,132	09/01/2012	1FE		
31394U-MV-1.	FNR 2005-97 HB		09/01/2011	MBS PAYDOWN		2,110,917	2,110,917	2,184,799	2,129,810	0	(18,893)	0	(18,893)	0	2,110,917	0	0	0	70,335	09/01/2012	1FE		
31395H-W9-7.	FHR 2893 PB		09/01/2011	MBS PAYDOWN		1,361,568	1,361,568	1,416,456	1,401,515	0	(39,947)	0	(39,947)	0	1,361,568	0	0	0	43,166	09/01/2011	1FE		
31395P-5J-7.	FHR 2931 QB		09/01/2011	MBS PAYDOWN		564,901	564,901	586,879	573,896	0	(8,999)	0	(8,999)	0	564,901	0	0	0	16,913	07/01/2012	1FE		
313960-ZS-1.	FNR 2009-70 NL		09/01/2011	MBS PAYDOWN		705,495	705,495	711,889	706,848	0	(1,353)	0	(1,353)	0	705,495	0	0	0	14,148	02/01/2019	1FE		
31398J-VT-7.	FHR 3578 AV		09/01/2011	MBS PAYDOWN		676,512	676,512	695,417	681,144	0	(4,632)	0	(4,632)	0	676,512	0	0	0	15,798	03/01/2016	1FE		
3199999 - Total - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of...						6,216,088	6,216,088	6,421,949	6,293,907	0	(77,819)	0	(77,819)	0	6,216,088	0	0	0	189,565	XXX	XXX		
00110A-AB-0.	AETC 2006-A A2		07/01/2011	MBS PAYDOWN		966,930	966,930	1,028,874	988,495	0	(21,565)	0	(21,565)	0	966,930	0	0	0	48,153	07/01/2013	1FE		
05947U-HM-3.	BACM 2002-2 A3		09/01/2011	MBS PAYDOWN		2,667,655	2,667,655	2,653,980	2,665,046	0	2,609	0	2,609	0	2,667,655	0	0	0	98,559	05/01/2012	12*		
126671-2U-9.	CWL 2004-BC1 M1		09/25/2011	MBS PAYDOWN		270,843	270,843	265,253	269,919	0	924	0	924	0	270,843	0	0	0	1,334	05/25/2028	12*		
12668X-AA-3.	CWL 2006-S8 A1		09/25/2011	MBS PAYDOWN		159,280	159,280	159,280	144,700	14,580	0	0	14,580	0	159,280	0	0	0	338	12/25/2011	22*		
17313V-AL-5.	CITIGROUP FUNDING INC.		09/28/2011	KEYBANC CAPITAL MARKETS		1,067,630	1,050,000	1,046,241	1,047,774	0	920	0	920	0	1,048,694	0	18,935	18,935	18,648	10/22/2012	1FE		
191219-BJ-2.	COCA-COLA ENTERPRISES		08/15/2011	MATURITY		9,150,000	9,150,000	9,855,374	9,288,126	0	(138,126)	0	(138,126)	0	9,150,000	0	0	0	560,438	08/15/2011	1FE		
22540V-P2-2.	CSFB 2002-C2K2 A3		09/01/2011	MBS PAYDOWN		844,713	844,713	838,345	844,753	0	(40)	0	(40)	0	844,713	0	0	0	36,399	04/01/2012	12*		
23242N-AA-9.	CWL 2006-S3 A1		08/25/2011	MBS PAYDOWN		93,298	93,501	82,147	59,536	0	33,763	0	33,763	0	93,298	0	0	0	198	08/25/2011	12*		
23317F-AA-4.	DDR 2009-DDR1 A		09/01/2011	MBS PAYDOWN		15,238	15,238	15,877	0	0	(2)	0	(2)	0	15,238	0	0	0	69	10/01/2014	12*		
254687-CC-8.	WALT DISNEY COMPANY		07/15/2011	MATURITY		3,645,000	3,645,000	3,852,072	3,681,029	0	(36,029)	0	(36,029)	0	3,645,000	0	0	0	207,765	07/15/2011	1FE		
40430G-AG-5.	HFCHC 2005-3 A1		09/20/2011	MBS PAYDOWN		193,150	193,150	193,150	193,150	0	0	0	0	0	193,150	0	0	0	640	10/20/2019	12*		
43812K-AC-7.	HAROT 2010-2 A3		09/18/2011	MBS PAYDOWN		228,294	228,294	228,267	228,143	0	152	0	152	0	228,294	0	0	0	2,294	03/18/2013	12*		
52108H-FL-3.	LBUBS 2001-C3 A2		07/11/2011	MBS PAYDOWN		1,976,999	1,976,999	1,999,626	1,993,059	0	(16,060)	0	(16,060)	0	1,976,999	0	0	0	73,985	07/11/2011	12*		
52108H-JJ-4.	LBUBS 2002-C1 A4		09/11/2011	MBS PAYDOWN		1,774,883	1,774,883	1,838,806	1,787,588	0	(12,705)	0	(12,705)	0	1,774,883	0	0	0	82,727	02/11/2012	12*		
55308C-AB-2.	CY LTD CORP-INDUS		08/05/2011	BANK OF NEW YORK		0	20,000,000	0	0	0	0	0	0	0	0	0	0	0	0	08/10/2011	6		
59022H-JH-6.	MLMT 2005-C1P1 A2		09/01/2011	MBS PAYDOWN		29,393	29,393	29,264	29,385	0	7	0	7	0	29,393	0	0	0	879	05/01/2014	12*		
85171U-AA-5.	SLFMT 2011-1A A1		09/26/2011	MBS PAYDOWN		192,523	192,523	192,367	0	0	0	0	0	0	192,523	0	0	0	1,321	01/01/2058	1FE		
94984Y-AM-0.	WFMS 2006-16 A12		08/01/2011	MBS PAYDOWN		723,686	723,686	723,008	722,045	0	1,641	0	1,641	0	723,686	0	0	0	22,420	08/01/2011	12*		
54265N-30-4.	LONG GROVE CLO LTD RESIDUAL INTEREST	F	08/25/2011	BANK OF NEW YORK		53,933	0	0	0	0	0	0	0	0	53,933	0	53,933	53,933	0	05/25/2016	6		
3899999 - Bonds - Industrial and Miscellaneous						24,053,448	43,982,088	25,001,929	23,942,747	14,580	(184,510)	0	(169,931)	0	23,980,580	0	72,868	72,868	1,156,667	XXX	XXX		
8399997 - Bonds - Part 4						35,955,698	55,752,072	37,278,661	35,823,072	14,580	(271,758)	0	(257,179)	0	35,773,657	0	182,041	182,041	1,728,059	XXX	XXX		
8399999 - Total - Bonds						35,955,698	55,752,072	37,278,661	35,823,072	14,580	(271,758)	0	(257,179)	0	35,773,657	0	182,041	182,041	1,728,059	XXX	XXX		
8999999 - Total - Preferred Stocks						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
9799999 - Total - Common Stocks						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
9899999 - Total - Preferred and Common Stocks						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
9999999 Totals						35,955,698	XXX	37,278,661	35,823,072	14,580	(271,758)	0	(257,179)	0	35,773,657	0	182,041	182,041	1,728,059	XXX	XXX		

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues .....0

E05

Schedule DB - Part A - Section 1

**NONE**

Sch. DB - Pt. A - Sn. 1 - Footnote (a)

**NONE**

Schedule DB - Part B - Section 1

**NONE**

Sch. DB - Pt. B - Sn. 1 - Footnotes

**NONE**

Schedule DB - Part D

**NONE**

Schedule DL - Part 1

**NONE**

Schedule DL - Part 2

**NONE**



Schedule E - Part 2 - Cash Equivalents

**NONE**



**SUPPLEMENT FOR SEPTEMBER 30, 2011 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY**

Designate the type of health care providers reported on this page  
Physicians

**SUPPLEMENT "A" TO SCHEDULE T  
EXHIBIT OF MEDICAL PROFESSIONAL LIABILITY PREMIUMS WRITTEN  
ALLOCATED BY STATES AND TERRITORIES**

States, Etc.	1 Direct Premiums Written	2 Direct Premiums Earned	Direct Losses Paid		5 Direct Losses Incurred	Direct Losses Unpaid		8 Direct Losses Incurred But Not Reported
			3 Amount	4 Number of Claims		6 Amount Reported	7 Number of Claims	
1. Alabama	AL				24			24
2. Alaska	AK							
3. Arizona	AZ				458			458
4. Arkansas	AR				37			37
5. California	CA				1,410			1,410
6. Colorado	CO				273			273
7. Connecticut	CT				79			79
8. Delaware	DE				109			109
9. District of Columbia	DC				5			5
10. Florida	FL				715			715
11. Georgia	GA				164			164
12. Hawaii	HI				28			28
13. Idaho	ID				113			113
14. Illinois	IL				1,289			1,289
15. Indiana	IN				581			581
16. Iowa	IA				7,465			7,465
17. Kansas	KS				36			36
18. Kentucky	KY				30			30
19. Louisiana	LA							0
20. Maine	ME				43			43
21. Maryland	MD				35			35
22. Massachusetts	MA				66			66
23. Michigan	MI				393			393
24. Minnesota	MN				203			203
25. Mississippi	MS				11			11
26. Missouri	MO				453			453
27. Montana	MT				21			21
28. Nebraska	NE				18			18
29. Nevada	NV				46			46
30. New Hampshire	NH				67			67
31. New Jersey	NJ				107			107
32. New Mexico	NM				999	20,000	1	(2,378)
33. New York	NY				(23,027)	20	1	3,983
34. North Carolina	NC				62			62
35. North Dakota	ND				8			8
36. Ohio	OH				148			148
37. Oklahoma	OK				2,490			2,490
38. Oregon	OR				1,111			1,111
39. Pennsylvania	PA				434			434
40. Rhode Island	RI				3			3
41. South Carolina	SC				41			41
42. South Dakota	SD				7			7
43. Tennessee	TN				2,220			2,220
44. Texas	TX				167			167
45. Utah	UT				67			67
46. Vermont	VT				12			12
47. Virginia	VA				78			78
48. Washington	WA				1,196			1,196
49. West Virginia	WV				8			8
50. Wisconsin	WI				101			101
51. Wyoming	WY				2			2
52. American Samoa	AS							
53. Guam	GU							
54. Puerto Rico	PR							
55. U.S. Virgin Islands	VI							
56. Northern Mariana Islands	MP							
57. Canada	CN							
58. Aggregate other alien	OT	0	0	0	0	0	0	0
59. Totals		0	0	0	0	20,020	2	24,039
<b>DETAILS OF WRITE-INS</b>								
5801.								
5802.								
5803.								
5898. Sum. of remaining write-ins for Line 58 from overflow page		0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)		0	0	0	0	0	0	0



**SUPPLEMENT FOR SEPTEMBER 30, 2011 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY**

Designate the type of health care providers reported on this page  
Hospitals

**SUPPLEMENT "A" TO SCHEDULE T  
EXHIBIT OF MEDICAL PROFESSIONAL LIABILITY PREMIUMS WRITTEN  
ALLOCATED BY STATES AND TERRITORIES**

States, Etc.	1 Direct Premiums Written	2 Direct Premiums Earned	Direct Losses Paid		5 Direct Losses Incurred	Direct Losses Unpaid		8 Direct Losses Incurred But Not Reported
			3 Amount	4 Number of Claims		6 Amount Reported	7 Number of Claims	
1. Alabama AL								
2. Alaska AK								
3. Arizona AZ								
4. Arkansas AR								
5. California CA								
6. Colorado CO								
7. Connecticut CT								
8. Delaware DE								
9. District of Columbia DC								
10. Florida FL								
11. Georgia GA								
12. Hawaii HI								
13. Idaho ID								
14. Illinois IL								
15. Indiana IN								
16. Iowa IA								
17. Kansas KS								
18. Kentucky KY								
19. Louisiana LA								
20. Maine ME								
21. Maryland MD								
22. Massachusetts MA								
23. Michigan MI								
24. Minnesota MN								
25. Mississippi MS								
26. Missouri MO								
27. Montana MT								
28. Nebraska NE								
29. Nevada NV								
30. New Hampshire NH								
31. New Jersey NJ								
32. New Mexico NM								
33. New York NY								
34. North Carolina NC								
35. North Dakota ND								
36. Ohio OH								
37. Oklahoma OK								
38. Oregon OR								
39. Pennsylvania PA								
40. Rhode Island RI								
41. South Carolina SC								
42. South Dakota SD								
43. Tennessee TN								
44. Texas TX								
45. Utah UT								
46. Vermont VT								
47. Virginia VA								
48. Washington WA								
49. West Virginia WV								
50. Wisconsin WI								
51. Wyoming WY								
52. American Samoa AS								
53. Guam GU								
54. Puerto Rico PR								
55. U.S. Virgin Islands VI								
56. Northern Mariana Islands MP								
57. Canada CN								
58. Aggregate other alien OT	0	0	0	0	0	0	0	0
59. Totals	0	0	0	0	0	0	0	0
<b>DETAILS OF WRITE-INS</b>								
5801.								
5802.								
5803.								
5898. Sum. of remaining write-ins for Line 58 from overflow page	0	0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	0	0	0	0	0	0	0	0

**NONE**



SUPPLEMENT FOR SEPTEMBER 30, 2011 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY

Designate the type of health care providers reported on this page  
Other Health Care Professionals

**SUPPLEMENT "A" TO SCHEDULE T  
EXHIBIT OF MEDICAL PROFESSIONAL LIABILITY PREMIUMS WRITTEN  
ALLOCATED BY STATES AND TERRITORIES**

States, Etc.	1 Direct Premiums Written	2 Direct Premiums Earned	Direct Losses Paid		5 Direct Losses Incurred	Direct Losses Unpaid		8 Direct Losses Incurred But Not Reported
			3 Amount	4 Number of Claims		6 Amount Reported	7 Number of Claims	
1. Alabama AL								
2. Alaska AK								
3. Arizona AZ								
4. Arkansas AR								
5. California CA								
6. Colorado CO								
7. Connecticut CT								
8. Delaware DE								
9. District of Columbia DC								
10. Florida FL								
11. Georgia GA								
12. Hawaii HI								
13. Idaho ID								
14. Illinois IL								
15. Indiana IN								
16. Iowa IA								
17. Kansas KS								
18. Kentucky KY								
19. Louisiana LA								
20. Maine ME								
21. Maryland MD								
22. Massachusetts MA								
23. Michigan MI								
24. Minnesota MN								
25. Mississippi MS								
26. Missouri MO								
27. Montana MT								
28. Nebraska NE								
29. Nevada NV								
30. New Hampshire NH								
31. New Jersey NJ								
32. New Mexico NM								
33. New York NY								
34. North Carolina NC								
35. North Dakota ND								
36. Ohio OH								
37. Oklahoma OK								
38. Oregon OR								
39. Pennsylvania PA								
40. Rhode Island RI								
41. South Carolina SC								
42. South Dakota SD								
43. Tennessee TN								
44. Texas TX								
45. Utah UT								
46. Vermont VT								
47. Virginia VA								
48. Washington WA								
49. West Virginia WV								
50. Wisconsin WI								
51. Wyoming WY								
52. American Samoa AS								
53. Guam GU								
54. Puerto Rico PR								
55. U.S. Virgin Islands VI								
56. Northern Mariana Islands MP								
57. Canada CN								
58. Aggregate other alien OT	0	0	0	0	0	0	0	0
59. Totals	0	0	0	0	0	0	0	0
<b>DETAILS OF WRITE-INS</b>								
5801.								
5802.								
5803.								
5898. Sum. of remaining write-ins for Line 58 from overflow page	0	0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	0	0	0	0	0	0	0	0

**NONE**





**SUPPLEMENT FOR SEPTEMBER 30, 2011 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY**

Designate the type of health care providers reported on this page  
Other Health Care Facilities

**SUPPLEMENT "A" TO SCHEDULE T  
EXHIBIT OF MEDICAL PROFESSIONAL LIABILITY PREMIUMS WRITTEN  
ALLOCATED BY STATES AND TERRITORIES**

States, Etc.	1 Direct Premiums Written	2 Direct Premiums Earned	Direct Losses Paid		5 Direct Losses Incurred	Direct Losses Unpaid		8 Direct Losses Incurred But Not Reported
			3 Amount	4 Number of Claims		6 Amount Reported	7 Number of Claims	
1. Alabama AL								
2. Alaska AK								
3. Arizona AZ								
4. Arkansas AR								
5. California CA								
6. Colorado CO								
7. Connecticut CT								
8. Delaware DE								
9. District of Columbia DC								
10. Florida FL								
11. Georgia GA								
12. Hawaii HI								
13. Idaho ID								
14. Illinois IL								
15. Indiana IN								
16. Iowa IA								
17. Kansas KS								
18. Kentucky KY								
19. Louisiana LA								
20. Maine ME								
21. Maryland MD								
22. Massachusetts MA								
23. Michigan MI								
24. Minnesota MN								
25. Mississippi MS								
26. Missouri MO								
27. Montana MT								
28. Nebraska NE								
29. Nevada NV								
30. New Hampshire NH								
31. New Jersey NJ								
32. New Mexico NM								
33. New York NY								
34. North Carolina NC								
35. North Dakota ND								
36. Ohio OH								
37. Oklahoma OK								
38. Oregon OR								
39. Pennsylvania PA								
40. Rhode Island RI								
41. South Carolina SC								
42. South Dakota SD								
43. Tennessee TN								
44. Texas TX								
45. Utah UT								
46. Vermont VT								
47. Virginia VA								
48. Washington WA								
49. West Virginia WV								
50. Wisconsin WI								
51. Wyoming WY								
52. American Samoa AS								
53. Guam GU								
54. Puerto Rico PR								
55. U.S. Virgin Islands VI								
56. Northern Mariana Islands MP								
57. Canada CN								
58. Aggregate other alien OT	0	0	0	0	0	0	0	0
59. Totals	0	0	0	0	0	0	0	0
<b>DETAILS OF WRITE-INS</b>								
5801. ....								
5802. ....								
5803. ....								
5898. Sum. of remaining write-ins for Line 58 from overflow page	0	0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	0	0	0	0	0	0	0	0

**NONE**



DIRECTORS AND OFFICERS SUPPLEMENT FOR SEPTEMBER 30, 2011 OF THE LUMBERMENS MUTUAL CASUALTY COMPANY

DIRECTOR AND OFFICER SUPPLEMENT

Year To Date For The Period Ended 2011

NAIC Group Code .....0108

NAIC Company Code .....22977

If the reporting entity writes any director and officer (D&O) business, please provide the following:

1. Monoline Policies

Table with 3 columns: 1 Direct Written Premium, 2 Direct Earned Premium, 3 Direct Losses Incurred. Values are all 0.

2. Commercial Multiple Peril (CMP) Packaged Policies

2.1 Does the reporting entity provide D&O liability coverage as part of a CMP packaged policy?.....Yes [ X ] No [ ]

2.2 Can the direct premium earned for D&O liability coverage provided as part of a CMP packaged policy be quantified or estimated? Yes [ X ] No [ ]

2.3 If the answer to question 2.2 is yes, provide the quantified or estimated direct premium earned amount for D&O liability coverage in CMP packaged policies

2.31 Amount quantified:..... \$.....0

2.32 Amount estimated using reasonable assumptions:..... \$.....0

2.4 If the answer to question 2.1 is yes, provide direct losses incurred (losses paid plus change in case reserves) for the D&O liability coverage provided in CMP packaged policies. \$.....0