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Maine Employers' Mutual Insurance Company

Financial Statements (Statutory Basis)
December 31, 2011 and 2010

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December 31, 2011 and 2010

Report of Independent Auditors

To the Board of Directors of
Maine Employers' Mutual Insurance Company:

We have audited the accompanying statutory basis statements of admitted assets, liabilities and capital and surplus of Maine Employers' Mutual Insurance Company (the "Company") as of December 31, 2011 and 2010, and the related statutory basis statements of income, changes in capital and surplus, and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2 to the financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by the Maine Bureau of Insurance, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2011 and 2010, or the results of its operations or its cash flows for the years then ended.
In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of the Company as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 2.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Summary Investment Schedule and Supplemental Investment Risks Interrogatories of the Company as of December 31, 2011 and for the year then ended are presented for purposes of additional analysis and are not a required part of the financial statements. The effects on the Summary Investment Schedule and Supplemental Investment Risks Interrogatories of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. As a consequence, the Summary Investment Schedule and Supplemental Investment Risks Interrogatories do

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not present fairly, in conformity with accounting principles generally accepted in the United States of America, such information of the Company as of December 31, 2011 and for the year then ended. The Summary Investment Schedule and Supplemental Investment Risks Interrogatories have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

PricewaterhouseCoopers LLP

March 30, 2012

Maine Employers' Mutual Insurance Company
Statements of Admitted Assets, Liabilities and Capital and Surplus (Statutory Basis)
December 31, 2011 and 2010

	2011	2010
Admitted Assets		
Invested assets		
Bonds, at carrying value (fair value: $513,406,060 and $498,825,521 at December 31, 2011 and 2010, respectively)	$ 474,467,703	$ 476,667,467
Common stocks, at fair value (cost: $56,814,041 and $44,036,049 at December 31, 2011 and 2010, respectively)	77,131,118	66,927,004
Common stocks of affiliates	67,632,320	57,135,014
Other invested assets	17,240,258	11,472,665
Cash and short term investments	10,520,911	21,131,855
Total cash and invested assets	646,992,310	633,334,005
Premium balances receivable	38,904,460	36,442,124
Equities and deposits in pools and associations	4,784	4,830
Investment income due and accrued	5,474,101	5,514,227
EDP equipment (net of accumulated depreciation of $3,034,357 and $2,918,038 in 2011 and 2010, respectively)	404,545	290,494
Reinsurance recoverable on paid loss and loss adjustment expenses	1,244,633	1,301,293
Federal income tax recoverable	6,122,963	1,476,051
Net deferred income taxes	16,814,093	14,597,985
Due from affiliates	463,962	1,367,152
Total admitted assets	$ 716,425,851	$ 694,328,161
Liabilities		
Loss reserves	$ 296,440,251	$ 294,844,482
Loss adjustment expense reserves	33,453,824	32,195,606
Unearned premium reserves	59,738,660	58,434,910
Reinsurance premiums payable	615,309	695,255
Commissions payable	5,062,082	3,690,464
Advance premium	1,213,279	1,216,254
Workers' compensation board and other assessments	1,539,984	1,257,722
Supplemental benefit fund assessment	1,038,225	1,060,638
Other liabilities	16,206,963	15,035,890
Total liabilities	415,308,577	408,431,221
Commitments and contingencies (Note 13)		
Capital and Surplus		
Capital contributions	3,207,180	3,222,136
Special surplus funds	7,728,787	5,580,518
Unassigned surplus	290,181,307	277,094,286
Total capital and surplus	301,117,274	285,896,940
Total liabilities and capital and surplus	$ 716,425,851	$ 694,328,161

The accompanying notes are an integral part of these financial statements.

Maine Employers' Mutual Insurance Company
Statements of Income
(Statutory Basis)
Years Ended December 31, 2011 and 2010

	2011	2010
Underwriting income		
Premiums earned, net	$ 122,698,571	$ 119,398,247
Loss and underwriting expenses		
Losses incurred, net	78,723,277	63,611,326
Loss adjustment expenses incurred, net	12,298,740	4,791,987
Underwriting expenses	27,238,746	25,433,495
Total loss and underwriting expenses	118,260,763	93,836,808
Net underwriting income	4,437,808	25,561,439
Investment income		
Net investment income	21,203,217	21,253,928
Net realized capital gains (losses), net of taxes	7,015,131	(333,923)
Total investment income	28,218,348	20,920,005
Other expense		
Bad debt expense	(334,621)	(488,677)
Service fee income	190,164	91,208
Other expense	(10,500)	(10,948)
Net other expense	(154,957)	(408,417)
Income before dividends and federal income taxes	32,501,199	46,073,027
Dividends to policyholders	12,055,419	10,999,955
Income after dividends, before federal income taxes	20,445,780	35,073,072
Provision for federal income taxes	2,444,293	9,140,019
Net income	$ 18,001,487	$ 25,933,053

The accompanying notes are an integral part of these financial statements.

Maine Employers' Mutual Insurance Company
Statements of Changes in Capital and Surplus
(Statutory Basis)
Years Ended December 31, 2011 and 2010

	2011	2010
Capital and surplus, beginning of year	$ 285,896,940	$ 241,117,916
Capital contributions (returned) made	(14,956)	-
Net income	18,001,487	25,933,053
Decrease in net deferred income taxes	(2,779,038)	(189,415)
Decrease in nonadmitted assets	4,640,631	2,735,010
Decrease in nonadmitted assets from change in special surplus funds	-	5,580,518
(Decrease) increase in net unrealized appreciation of invested assets (net of deferred taxes of ($954,019) and $2,569,346 at December 31, 2011 and 2010, respectively)	(4,627,790)	10,719,858
Change in capital and surplus	15,220,334	44,779,024
Capital and surplus, end of year	$ 301,117,274	$ 285,896,940

The accompanying notes are an integral part of these financial statements.

Maine Employers' Mutual Insurance Company
Statements of Cash Flows
(Statutory Basis)
Years Ended December 31, 2011 and 2010

	2011	2010
Cash from operations		
Premiums collected, net	$ 121,841,815	$ 120,301,124
Investment income received, net	23,405,942	23,597,544
Other expense	(154,956)	(408,418)
Cash provided from operations	145,092,801	143,490,250
Benefit and loss related payments	(77,070,848)	(79,159,011)
Commissions and expenses paid	(36,573,536)	(35,831,703)
Dividends paid to policyholders	(12,055,380)	(10,999,955)
Federal income taxes paid	(6,424,766)	(10,667,852)
Cash used in operations	(132,124,530)	(136,658,521)
Net cash provided from operations	12,968,271	6,831,729
Cash from investments		
Proceeds from investments sold, matured or repaid		
Bonds	112,354,551	87,174,461
Common and preferred stocks	11,403,715	419,033
Total investment proceeds	123,758,266	87,593,494
Costs of investments acquired		
Bonds	(108,912,588)	(79,085,351)
Common and preferred stocks	(34,289,892)	(10,276,760)
Other invested assets	(5,100,000)	(500,000)
Total cost of investments acquired	(148,302,480)	(89,862,111)
Net cash used in investments	(24,544,214)	(2,268,617)
Cash from financing and miscellaneous sources		
Capital contributions made (returned)	(14,956)	-
Other sources	979,955	136,942
Net cash provided from financing and miscellaneous sources	964,999	136,942
Net change in cash	(10,610,944)	4,700,054
Cash, beginning of year	21,131,855	16,431,801
Cash, end of year	$ 10,520,911	$ 21,131,855
Noncash transaction		
Contribution of property	$ -	$ (5,294,270)
Contribution of bond	$ 561,375	$ -

The accompanying notes are an integral part of these financial statements.

1. Organization

Maine Employers' Mutual Insurance Company (the "Company") was established through a legislative action by the State of Maine on November 13, 1992 and commenced business effective January 1, 1993. The Company was established to replace the State of Maine's Workers' Compensation Residual Market Pool. The Company is a mutual insurance company and is not a state agency or instrument of the State of Maine for any purpose. The Company is licensed in fourteen states and writes workers' compensation insurance and employers' liability insurance incidental to and written in connection with workers' compensation coverage for employers in six New England states. The Company writes its business primarily through independent agents and brokers. Approximately 99% of premium written during 2011 was for Maine policies.

In 1996, the Company obtained approval from the Maine Bureau of Insurance (the "Insurance Department") and established a wholly-owned subsidiary, MEMIC Services Inc. ("MEMIC Services"), which sells loss control and managed care services to the Company.

In 1998, the Company obtained approval from the Insurance Department to assume business from other insurance carriers. This business could only be assumed when the Company wrote a policy for the insured in Maine. The assumed business related to this contract occurred between the 1998 and 2005 policy years.

In 1999, the Company obtained approval from the Insurance Department of the State of New Hampshire to form a subsidiary, MEMIC Indemnity Company ("MEMIC Indemnity") to write workers' compensation insurance in New Hampshire. MEMIC Indemnity commenced writing business September 1, 2000 and is licensed in 48 states and the District of Columbia with approximately 90% of premium written in the States of Connecticut, Massachusetts, New Hampshire, New York and Vermont.

During 2007, the Company obtained approval from the Insurance Department to write employment practices liability insurance for State of Maine policies only. The Company wrote premium for this new line of business beginning in 2008.

On October 19, 2009, the Company formed Casco View Holdings, LLC, ("CVH"), a Maine limited liability company for the management and ownership of future investments in real estate. On January 4, 2010, MEMIC transferred its entire interest in the property located at 245-253 Commercial Street, Portland, Maine, which comprises certain income producing property along with a capital contribution of $500,000 and related tenant security deposits of $86,485 to CVH. As consideration for the said transfer of real estate, MEMIC received all of the membership interests of the Company.

On March 1, 2011, the Company invested an additional $5,100,000 in its wholly owned subsidiary, Casco View Holdings, LLC (CVH). CVH invested 100% of the $5,100,000 in its wholly owned subsidiary, Casco View Holdings II, LLC (CVHII) for the purchase of the home office building of the Company which had previously been under a long-term lease with an unrelated party. The Company records its membership interests in CVH and CVHII in other invested assets.

MEMIC Casualty Company, ("MEMIC Casualty"), a wholly-owned subsidiary of the Company was incorporated on December 12, 2011. All outstanding shares of MEMIC Casualty are owned by the Company. The Vermont Department of Banking, Insurance, Securities and Health Care Administration Insurance Division, acting as rehabilitator, converted the former Granite Manufacturers' Mutual Indemnity Company (GMMIC) to a stock company, and sold it to MEMIC effective December 12, 2011. In conjunction with the transaction, the Company was renamed from GMMIC to MEMIC Casualty Company. The former GMMIC has not written workers' compensation policies since 1969 and does not currently have any open claims. MEMIC Casualty is licensed to write workers' compensation insurance in Vermont, however, had no written premium as of December 31, 2011. The Company contributed capital of $4,622,576 and a $561,375 bond toward its investment in the Company.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Company are prepared in conformity with statutory accounting practices of the National Association of Insurance Commissioners ("NAIC") as prescribed or permitted by the Maine Bureau of Insurance ("statutory accounting").

The Maine Bureau of Insurance recognizes only statutory accounting practices prescribed or permitted by the State of Maine for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under the Maine Insurance Laws. The NAIC Accounting Practices and Procedures Manual ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the State of Maine. Prescribed Maine Laws can and do deviate from NAIC SAP and, further, the Commissioner of Insurance has the right to permit other specific practices which deviate from prescribed practices.

Statutory accounting practices differ in certain respects from accounting principles generally accepted in the United States of America ("GAAP"). The effects of such differences on the accompanying financial statements, which could be significant, have not been determined. The most significant differences generally include the following:

a. Statutory accounting requires that policy acquisition costs such as commissions, premium taxes and other items be charged to current operations as incurred. Under GAAP, policy acquisition costs would be deferred and then amortized ratably over the periods covered by the policies;

b. The statutory provision for federal income taxes represents estimated amounts currently payable based on taxable income or loss reported in the current accounting period. Deferred income taxes are provided in accordance with SSAP 10R, *Income Taxes - Revised, A Temporary Replacement of SSAP No. 10* ("SSAP 10R") and changes in deferred income taxes are recorded through surplus. The realization of any resulting deferred tax asset is limited based on certain criteria in accordance with SSAP 10R. The GAAP provision would include a provision for taxes currently payable, as well as deferred taxes, both of which would be recorded in the income statement;

c. Under statutory accounting, certain assets designated as "nonadmitted assets" (principally premiums receivable over 90 days past due, deferred income taxes, prepaid assets, miscellaneous receivables and office furniture and equipment) are charged directly to surplus. GAAP would require the Company to maintain a reserve for doubtful accounts based on amounts deemed to be uncollectible. Office furniture and equipment would be capitalized and depreciated over the estimated useful lives;

d. Statutory results of MEMIC Indemnity and MEMIC Casualty are reflected on the statutory equity method. The investment in MEMIC Services is accounted for under GAAP equity adjusted to a statutory basis which resulted in a net liability on the Company's statements of admitted assets, liabilities, capital and surplus. Adjustments include nonadmitted deferred tax assets, receivables over 90 days past due and furniture and equipment. The results of operations of these subsidiaries are recorded directly in surplus. Under GAAP, the subsidiary would be consolidated and such amounts would be reported in the financial statements on a consolidated basis;

e. Under statutory accounting, investments in debt securities are generally carried at amortized cost. Under GAAP, debt securities classified as trading or available-for-sale are valued at fair value, and debt securities classified as held-to-maturity are valued at amortized cost;

f. Reinsurance balances relating to unpaid loss and loss adjustment expenses are presented as offsets to reserves; under GAAP, such amounts would be presented as reinsurance recoverable; moreover, under statutory accounting, a liability is established for recoverable balances from reinsurers which are not authorized and for overdue paid loss recoverables;

g. Under GAAP, the inclusion of a statement of comprehensive income, detailing the income effects of unrealized gains and losses, foreign exchange transactions, and pension liability adjustments is required;

h. For statutory cash flow purposes, included as cash and cash equivalents are short-term investments which mature within one year as opposed to three months;

i. A reconciliation of cash flows to the indirect method is not provided under statutory accounting.

Management Estimates
The preparation of financial statements in conformity with statutory accounting practices requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Invested Assets
Invested assets are valued in accordance with the statutory basis of valuation prescribed by the NAIC. Cash includes cash, cash equivalents and short-term mutual fund investments, which are short-term investments which mature within one year; the carrying value of these investments approximate fair value.

Bonds are generally stated at amortized cost. Bonds with an NAIC SVO rating of "three" or higher are carried at the lower of amortized cost or fair value. The fair values of these securities are based on quoted prices for similar assets in active markets unless they are a RMBS/CMBS security with a Securities Valuation Officer rating and independently modeled. The model determines the intrinsic price of the security and the price at which the percentage difference between the carrying price and the intrinsic price equals the midpoint between the risk based capital charges for each NAIC designation. This is the maximum price point at which a security can be carried for each NAIC designation. These prices are referred to as break points. The Company utilizes the prospective adjustment methodology to value mortgage-backed bonds.

Unaffiliated common and preferred stocks are generally stated at the fair value. The fair values of bonds and common and preferred stocks are based on quoted market prices in active markets. Where declines in the value of marketable securities are deemed other than temporary, the loss is reported as a component of net realized capital gains (losses). The net unrealized gains and losses on these marketable securities, after deductions of applicable deferred income taxes, are credited or charged directly to policyholders' surplus.

Other invested assets consist of actively traded mutual funds, nonmarketable alternative equity investments and an investment in a wholly owned real estate subsidiary, CVH. The fair values of the mutual funds are based on quoted market prices in active markets. Nonmarketable alternative equity investments consist of venture capital funds that are also included in other invested assets and are carried at fair value based upon the Company's proportionate interest in the underlying fund's net asset value, which is deemed to approximate fair value. The current carrying value of this fund is zero. The investments are not publicly traded and, accordingly, quoted market prices are not available. The investment in CVH is measured on the equity basis under GAAP.

The investments in the affiliate MEMIC Indemnity at December 31, 2011 and 2010 are stated at the net asset value of the affiliate determined on a statutory basis excluding surplus notes issued (Note 10) and the investment in the affiliate MEMIC Casualty at December 31, 2011 is stated at the net asset value of the affiliate determined on a statutory basis. Changes in net asset value of these affiliates are charged or credited directly to unassigned policyholder surplus.

Investment income is recorded on an accrual basis. Realized capital gains and losses are reported in operating results based on the specific identification of investments sold. Unrealized capital gains and losses from the valuation of investments at fair value are credited or charged directly to unassigned surplus, net of federal income taxes, unless determined to be other than temporary and included as a component of net realized capital losses.

Realized gains or losses on the sale of investments are determined on the specific identification method and are included in the results of operations. Declines in values of securities that are other-than-temporary are written down with a corresponding charge to net realized losses. Specific impairments are determined based on a continual review of investment portfolio valuations.

Effective July 1, 2009 SSAP 43R, Loan-Backed and Structured Securities ("SSAP 43R") was adopted by the Company. SSAP 43R introduces revised statutory accounting guidance for loan-backed and structured securities, including the recognition of other-than-temporary impairments. Credit related declines in the fair value of loan-backed or structured securities are to be reflected as a realized loss in the income statement. Refer to Note 18 for the Company's evaluation of SSAP 43R on these financial statements.

Premiums and Unearned Premium Reserves
Direct and assumed premiums, net of amounts ceded to other insurance companies, are earned on a monthly pro rata basis over the in-force period. Accordingly, unearned premium reserves are established for the pro rata portion of premiums written which are applicable to the unexpired terms of the policies in force, net of reinsurance. Premium adjustments resulting from retrospective rating plans and/or audits are immediately recorded as written and earned premiums once such amounts can be reasonably estimated.

Equities and Deposits in Pools

The Company is required to participate in involuntary pools in several states where it writes workers' compensation business. The Company participates in underwriting results, including premiums, losses, expenses and other operations of involuntary pools, based on the Company's proportionate share of similar business written in the state. Underwriting results are accounted for on a gross basis whereby the Company's portion of premiums, losses, expenses and other operations of the pool are recorded separately in the financial statements rather than netted against each other.

Loss and Loss Adjustment Expense Reserves

Losses and loss adjustment expenses are recorded as incurred so as to match such costs with premiums over the contract periods. Loss reserves are established for losses and loss adjustment expenses based upon claim evaluations and include an estimated provision for both reported and unreported claims incurred and related expenses. The assumptions used in determining loss and loss adjustment expense reserves have been developed after considering the experience of the Company, industry experience and projections by independent actuaries. The ultimate loss and loss adjustment expense reserves may vary from the amounts reflected in the accompanying financial statements. The methods utilized in estimating and establishing the reserves are continually reviewed and updated and any adjustments are reflected in current operating results. Allowances for subrogation recoveries are included in the Company's estimate of loss reserves. See the summary of reserve development in Note 6.

Nonadmitted Assets

The following nonadmitted assets were excluded from the balance sheet as of December 31, 2011 and 2010:

	2011	2010
Premium balances receivable over 90 days past due	$ 1,060,181	$ 1,444,932
Deferred income taxes	7,952,576	11,993,703
Accrued retrospective premiums	1,239	41
Bonds	-	285,000
Intercompany receivable	198,100	117,788
Fixed assets, net of accumulated depreciation	929,806	1,121,137
Other assets	686,910	506,844
Total nonadmitted assets	$ 10,828,812	$ 15,469,445

Depreciation expense on nonadmitted fixed assets was $439,329 and $634,580 in 2011 and 2010, respectively.

Federal Income Taxes
The Company files a consolidated tax return with MEMIC Indemnity, MEMIC Casualty, MEMIC Services and CVH. Under this tax sharing agreement, the provision for federal income taxes is recorded based upon amounts expected to be reported as if the Company filed a separate federal income tax return. Additionally, under this agreement, the Company will be reimbursed for the utilization of tax operating losses, tax credits and capital loss carryforwards to the extent the Companies would have utilized these tax attributes on a separate return basis.

The provision for federal income taxes includes amounts currently payable or recoverable and deferred income taxes, computed under the asset/liability method, which results from temporary differences between the tax basis and the book basis of assets and liabilities.

Effective December 31, 2009 SSAP 10R was issued. The statement allows the recognition and admission of deferred tax assets that will reverse over a three year period as compared to the one year period allowed under the original guidance of SSAP 10. The expanded admissibility provisions within SSAP 10R are optional provided companies meet certain risk-based capital thresholds. The Company adopted those provisions for the years ended December 31, 2011 and 2010. Refer to Accounting Changes noted herein. The statement also requires a statutory valuation allowance to be established against gross deferred tax assets to the extent it is more likely than not that a portion of the deferred tax assets will not be realized in the future. Refer to Note 5 - Income Taxes.

Effective January 1, 2009 the Financial Accounting Standards Board (“FASB”) concluded that FIN 48, *Accounting for Uncertain Tax Positions,* (“FIN 48”), subsequently codified within ASC 740, *Income Taxes*, (“ASC 740”) would be effective for nonpublic entities. ASC 740 clarifies how a company should recognize, measure, present, and disclose certain uncertain tax positions that it has taken or expects to take on a tax return. The Company files federal income tax returns and therefore the disclosures required by ASC 740 pursuant to uncertain tax positions are included in these statutory financial statements. Refer to Note 5 Income Taxes.

In November 2011, the NAIC adopted SSAP No. 101, “Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10.” This statement revises statutory accounting principles for current and deferred federal and foreign income taxes and current state income taxes. SSAP No. 101, which is effective on January 1, 2012, will: (1) restrict the ability to use the 3 years/15 percent of surplus admission rule to those entities that meet a new modified risk based capital ratio threshold; (2) change the recognition threshold for recording tax contingency reserves from a probable liability standard to a more-likely-than-not liability standard; (3) require the disclosure of tax planning strategies that relate to reinsurance; and, (4) require consideration of reversal patterns of DTAs and deferred tax liabilities (DTLs) in determining the extent to which DTLs could offset DTAs on the balance sheet. The Company is in the process of assessing the impact of adopting this standard.

Accounting Changes
During 2010, the Company elected to admit deferred tax assets (DTAs) pursuant to paragraph 10.e. of SSAP No. 10R, *Income Taxes – A Temporary Replacement of SSAP No. 10*. The Company elected to admit DTAs pursuant to paragraph 10.e. of SSAP No. 10R 2010 as the election became a permanent component of statutory surplus. The Company recorded an increase in deferred tax assets and surplus of $5,580,518 as a result of the election in 2010. The increase in admitted DTAs was driven primarily by the one to three year reversal components of fixed assets, nonadmitted agent balances and loss and loss adjustment expense reserves.

EDP Equipment
EDP equipment is stated at cost, net of accumulated depreciation. Depreciation is computed principally using the straight-line method based on the estimated useful lives of assets, which is generally three years. Depreciation expense for the years ended December 31, 2011 and 2010 was $227,476 and $323,049, respectively. Expenditures for maintenance and repairs relating to EDP equipment and certain fixed assets which are nonadmitted are charged to expense as incurred. When property is sold or retired, the cost of the property and the related accumulated depreciation are removed from the statement of admitted assets, liabilities and capital and surplus and any gain or loss on the transaction is reflected in current operating results.

3. Capital Contributions

As authorized by specific provisions of Maine state law, the Company was established as a special purpose workers' compensation insurer without any initial capital or surplus. To provide capital, the Company's policyholders were required to make capital contributions based upon a percentage of their final audited premiums for policies with effective dates prior to January 1, 1996. Capital contributions were based on the estimated annual premium and are subsequently adjusted, as necessary, based upon cancellations and premium audits. In 1998, the Company received approval from the Insurance Department to return capital contributions to the extent authorized by the Board of Directors and the Insurance Department. The Company returned $14,956 and $0, of capital contributions in 2011 and 2010, respectively, net of related write-offs. Cumulative capital contributions remaining as of December 31, 2011 and 2010 amounted to $3,207,180 and $3,222,136, respectively.

4. Dividend Restrictions

The Company is subject to regulatory limitations with respect to statutory surplus levels and dividends. Under these regulations, annual dividends cannot exceed the greater of 10% of the insurer's surplus as of the prior year end or the net gain from operations for the twelve month period ended in the prior year. The maximum amount of dividends which can be paid by the Company to policyholders without prior approval of the Superintendent of Insurance during 2011 and 2010 was $28,589,694 and $24,111,792, respectively. Dividends to policyholders amounted to $12,055,419 and $10,999,995 in 2011 and 2010, respectively. The dividends declared during 2011 included $11,999,970 based on policy year 2007 and an additional $55,479 of additional dividends declared from the prior year declaration.

5. Income Taxes

The components of the net deferred tax asset /(liability) at December 31 are as follows:

	December 31, 2011		
	Ordinary	**Capital**	**Total**
(a) Total of deferred tax assets	$ 26,538,673	$ 5,649,469	$ 32,188,142
(b) Statutory valuation allowance adjustment	-	-	-
(c) Adjusted gross deferred taxes	26,538,673	5,649,469	32,188,142
(d) Deferred tax liabilities	291,651	7,129,821	7,421,472
(e) Subtotal (Net Deferred Tax Assets) (1c - 1d)	26,247,022	(1,480,352)	24,766,670
(f) Deferred Tax Assets Nonadmitted	9,432,929	(1,480,352)	7,952,577
(f) Net Admitted Deferred Tax Assets (1e - 1f)	$ 16,814,093	$ -	$ 16,814,093

	December 31, 2010		
	Ordinary	**Capital**	**Total**
(a) Total of deferred tax assets	$ 26,833,686	$ 7,984,193	$ 34,817,879
(b) Statutory valuation allowance adjustment	-	-	-
(c) Adjusted gross deferred taxes	26,833,686	7,984,193	34,817,879
(d) Deferred tax liabilities	214,356	8,011,834	8,226,190
(e) Subtotal (Net Deferred Tax Assets) (1c - 1d)	26,619,330	(27,641)	26,591,689
(f) Deferred Tax Assets Nonadmitted	12,021,345	(27,641)	11,993,704
(f) Net Admitted Deferred Tax Assets (1e - 1f)	$ 14,597,985	$ -	$ 14,597,985

	Change		
	Ordinary	**Capital**	**Total**
(a) Total of deferred tax assets	$ (295,013)	$ (2,334,724)	$ (2,629,737)
(b) Statutory valuation allowance adjustment	-	-	-
(c) Adjusted gross deferred taxes	(295,013)	(2,334,724)	(2,629,737)
(d) Deferred tax liabilities	77,295	(882,013)	(804,718)
(e) Subtotal (Net Deferred Tax Assets) (1c - 1d)	(372,308)	(1,452,711)	(1,825,019)
(f) Deferred Tax Assets Nonadmitted	(2,588,416)	(1,452,711)	(4,041,127)
(f) Net Admitted Deferred Tax Assets (1e - 1f)	$ 2,216,108	$ -	$ 2,216,108

The Company has elected to admit DTAs pursuant to paragraph 10.e. of SSAP No. 10R, *Income Taxes – A Temporary Replacement of SSAP No. 10.* for the calendar years ending December 31, 2010.

As a result of the Company’s election in 2011 to admit DTAs pursuant to paragraph 10.e SSAP No. 10R, the Company has additional DTAs of $7,728,787 and $5,580,518 above the amount that would have been reported under the original pronouncement as of December 31, 2011 and 2010, respectively which is included in special surplus funds on the statements of admitted assets, liabilities and capital and surplus.

The table below discusses the results of the application of SSAP No. 10R for 2011 and 2010.

	December 31, 2011		
	Ordinary	Capital	Total
Admission Calculation Components			
SSAP No. 10R, Paragraphs 10.a., 10.b., & 10.c:			
(a) SSAP No. 10R, Paragraph 10.a.	$ 7,715,686	$ -	$ 7,715,686
(b) SSAP No. 10R, Paragraph 10.b. (the lesser of paragraph 10.b.i and 10.b.ii below)	1,661,270		1,661,270
(c) SSAP No. 10R, Paragraph 10.b.i	1,661,270		1,661,270
(d) SSAP No. 10R, Paragraph 10.b.ii	26,515,602		26,515,602
(e) SSAP No. 10R, Paragraph 10.c.	291,651	7,129,821	7,421,472
(f) Total (4a + 4b + 4e)	$ 9,668,607	$ 7,129,821	$ 16,798,428

	December 31, 2010		
	Ordinary	Capital	Total
(a) SSAP No. 10R, Paragraph 10.a.	$ 9,017,468	$ -	$ 9,017,468
(b) SSAP No. 10R, Paragraph 10.b. (the lesser of paragraph 10.b.i and 10.b.ii below)	9,017,468	-	9,017,468
(c) SSAP No. 10R, Paragraph 10.b.i	9,017,468	-	9,017,468
(d) SSAP No. 10R, Paragraph 10.b.ii	27,472,271	-	27,472,271
(e) SSAP No. 10R, Paragraph 10.c.	214,356	8,011,834	8,226,190
(f) Total (4a + 4b + 4e)	$ 18,249,292	$ 8,011,834	$ 26,261,126

	Change		
	Ordinary	Capital	Total
(a) SSAP No. 10R, Paragraph 10.a.	$ (1,301,782)	$ -	$ (1,301,782)
(b) SSAP No. 10R, Paragraph 10.b. (the lesser of paragraph 10.b.i and 10.b.ii below)	(7,356,198)	-	(7,356,198)
(c) SSAP No. 10R, Paragraph 10.b.i	(7,356,198)	-	(7,356,198)
(d) SSAP No. 10R, Paragraph 10.b.ii	(956,669)	-	(956,669)
(e) SSAP No. 10R, Paragraph 10.c.	77,295	882,013	959,308
(f) Total (4a + 4b + 4e)	$ (8,580,685)	$ (882,013)	$ (7,698,672)

	December 31, 2011		
	Ordinary	Capital	Total
Admission Calculation Components			
SSAP No. 10R, Paragraphs 10.e			
(g) SSAP No. 10R, Paragraph 10.e.i	$ 11,032,989	$ -	$ 11,032,989
(h) SSAP No. 10R, Paragraph 10.e.ii (the lesser of paragraph 10.e.ii.a and 10.e.ii.b below)	5,781,103	-	5,781,103
(i) SSAP No. 10R, Paragraph 10.e.ii.a	5,781,103	-	5,781,103
(j) SSAP No. 10R, Paragraph 10.e.ii.b	39,773,402	-	39,773,402
(k) SSAP No. 10R, Paragraph 10.e.iii	291,651	7,129,821	7,421,472
(l) Total (4g + 4h + 4k)	$ 17,105,743	$ 7,129,821	$ 24,235,564

	December 31, 2010		
	Ordinary	Capital	Total
(g) SSAP No. 10R, Paragraph 10.e.i	$ 11,567,140	$ -	$ 11,567,140
(h) SSAP No. 10R, Paragraph 10.e.ii (the lesser of paragraph 10.e.ii.a and 10.e.ii.b below)	3,030,845	-	3,030,845
(i) SSAP No. 10R, Paragraph 10.e.ii.a	3,030,845	-	3,030,845
(j) SSAP No. 10R, Paragraph 10.e.ii.b	38,494,355	-	38,494,355
(k) SSAP No. 10R, Paragraph 10.e.iii	214,356	8,011,834	8,226,190
(l) Total (4g + 4h + 4k)	$ 14,812,341	$ 8,011,834	$ 22,824,175

	Change		
	Ordinary	Capital	Total
(g) SSAP No. 10R, Paragraph 10.e.i	$ (534,151)	$ -	$ (534,151)
(h) SSAP No. 10R, Paragraph 10.e.ii (the lesser of paragraph 10.e.ii.a and 10.e.ii.b below)	2,750,258	-	2,750,258
(i) SSAP No. 10R, Paragraph 10.e.ii.a	2,750,258	-	2,750,258
(j) SSAP No. 10R, Paragraph 10.e.ii.b	1,279,047	-	1,279,047
(k) SSAP No. 10R, Paragraph 10.e.iii	77,295	7,129,821	7,207,116
(l) Total (4g + 4h + 4k)	$ 2,293,402	$ 7,129,821	$ 9,423,223

Used in SSAP no. 10R, Paragraph 10.d	12/31/2011	12/31/2010	Change
(m) Total Adjusted Capital	$ 301,117,274	$ 285,896,940	$ 15,220,334
(n) Authorized Control Level	$ 21,765,099	$ 20,578,512	$ 1,186,587

	December 31, 2011		
	Ordinary	Capital	Total
SSAP No. 10R, Paragraphs 10.a., 10.b., & 10.c:			
(a) Admitted Deferred Tax Assets	$ 9,376,956	$ 7,129,821	$ 16,506,777
(b) Admitted Assets			707,609,556
(c) Adjusted Statutory Surplus			293,388,487
(d) Total Adjusted Capital from DTAs			$ 7,718,388

	December 31, 2010		
	Ordinary	Capital	Total
(a) Admitted Deferred Tax Assets	$ 9,231,823	$ 8,011,834	$ 17,243,657
(b) Admitted Assets			688,747,643
(c) Adjusted Statutory Surplus			280,316,422
(d) Total Adjusted Capital from DTAs			$ 9,017,468

	Change		
	Ordinary	Capital	Total
(a) Admitted Deferred Tax Assets	$ 145,133	$ (882,013)	$ (736,880)
(b) Admitted Assets			
(c) Adjusted Statutory Surplus			
(d) Total Adjusted Capital from DTAs			

	December 31, 2011		
	Ordinary	Capital	Total
Increases due to SSAP No. 10R, Paragraph 10.e			
(e) Admitted Deferred Tax Assets	$ 7,728,787	$ -	$ 7,728,787
(f) Admitted Assets			$ 715,338,343
(g) Statutory Surplus			$ 301,117,274

	December 31, 2010		
	Ordinary	Capital	Total
(e) Admitted Deferred Tax Assets	$ 5,580,518	$ -	$ 5,580,518
(f) Admitted Assets			$ 694,328,561
(g) Statutory Surplus			$ 285,896,940

	Change		
	Ordinary	Capital	Total
(e) Admitted Deferred Tax Assets			$ 2,148,269
(f) Admitted Assets			$ 21,009,782
(g) Statutory Surplus			$ 15,220,334

	(1) Ordinary %	(2) Capital %	(3) Total % Col (1) + (2)
Impact of Tax Planning Strategies			
Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	0.00%	17.60%	17.60%
Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs)	0.00%	33.60%	33.60%

There are no deferred tax liabilities that have not been recognized in the Company's financial statements.

Current and deferred income taxes incurred consist of the following major components:

Current Income Tax:

	December 31, 2011	December 31, 2010	Change
Federal	$ 2,444,293	$ 9,140,019	$ (6,695,726)
Foreign			
Subtotal	2,444,293	9,140,019	(6,695,726)
Federal income tax on net capital gains	(666,439)	205,863	(872,302)
Federal and foreign income taxes incurred	$ 1,777,854	$ 9,345,882	$ (7,568,028)

Deferred Tax Assets:

	December 31, 2011	December 31, 2010	Change
Ordinary			
Discount of unpaid losses	$ 17,627,077	$ 17,756,935	$ (129,858)
Unearned premium reserve	4,266,636	4,090,444	176,192
Compensation and benefits accrual	3,337,279	3,312,997	24,282
Other	1,307,681	1,673,310	(365,629)
Subtotal	26,538,673	26,833,686	(295,013)
Statutory valuation allowance adjustment		-	-
Nonadmitted	9,432,929	12,021,345	(2,588,416)
Admitted ordinary deferred tax assets	$ 17,105,744	$ 14,812,341	$ 2,293,403
Capital			
Investments	$ 5,649,469	$ 7,984,193	$ (2,334,724)
Subtotal	5,649,469	7,984,193	(2,334,724)
Statutory valuation allowance adjustment		-	-
Nonadmitted	(1,480,352)	(27,641)	(1,452,711)
Admitted capital deferred tax assets	7,129,821	8,011,834	(882,013)
Admitted deferred tax assets	$ 24,235,565	$ 22,824,175	$ 1,411,390

Deferred Tax Liabilities:

	December 31, 2011	December 31, 2010	Change
Ordinary			
Investments	$ 218,593	$ 163,987	$ 54,606
Other (including items <5% of total ordinary tax liabilities)	73,058	50,369	22,689
Subtotal	$ 291,651	$ 214,356	$ 77,295
Capital			
Investments	$ 7,129,821	$ 8,011,834	$ (882,013)
Subtotal	7,129,821	8,011,834	(882,013)
Deferred tax liabilities	7,421,472	8,226,190	(804,718)
Net deferred tax assets/liabilities	$ 16,814,093	$ 14,597,985	$ 2,216,108

Reconciliation of Federal Income Tax Rate to Actual Effective Rate:

Among the more significant book to tax adjustments were the following:

	Amount	Tax Effect	Effective Tax Rate
Tax provision before capital gains tax at statutory rate	$ 19,779,341	$ 6,922,769	35%
Dividend received deduction	(950,257)	(332,590)	-2%
Tax-exempt interest	(6,545,903)	(2,291,066)	-12%
Nondeductible expenses	195,110	68,289	0%
Provision to prior year return	(812,620)	(284,417)	-1%
Other	1,354,026	473,907	2%
	$ 13,019,697	$ 4,556,892	23%
Federal income tax expense		1,777,854	9%
Change in deferred income taxes		2,779,038	14%
Total statutory income taxes		$ 4,556,892	23%

As of December 31, 2011 and 2010 the Company does not have any investment tax credits, net operating loss or capital loss carry forwards available to offset against future taxable income. The amount of federal income taxes incurred in the current year and each proceeding year available for recoupment in the event of future net losses is $2,062,271 for 2011 and $9,162,648 for 2010. There are no deposits admitted under Section 6603 of the Internal Revenue Code.

As of December 31, 2011 and 2010 the Company has no uncertain tax positions requiring disclosure in these financial statements. Had the Company identified such positions, these amounts would be evaluated and disclosed or accrued. Liabilities would be reflected on the statements of admitted assets, liabilities and capital and surplus and the related interest and penalties would be included on the statement of income as underwriting expenses.

As of December 31 2011, the company expects to be in an AMT position of $393,555. As of December 31, 2010, the Company did not incur any AMT on a stand-alone basis, but recognized an additional tax of $284,687 due to recovery of AMT credit by its wholly owned subsidiary, MEMIC Indemnity, as stipulated in the tax sharing agreement.

The tax years that remain subject to examination by major tax jurisdictions for the Company are 2006, 2007, 2008, 2009 and 2010.

The Company is included in a consolidated federal income tax return with the following entities:

Casco View Holdings, LLC, a 100% owned non-insurance entity,
MEMIC Indemnity Company, a 100% owned Property/Casualty insurance subsidiary,
MEMIC Casualty Company, a 100% owned Property/Casualty insurance subsidiary, and
MEMIC Services, Inc., a 100% owned insurance services subsidiary.

The Company has a written agreement which sets forth the manner in which the total combined federal income tax is allocated to each entity which is a party to the consolidation. Pursuant to this agreement, the Company has a right to recoup federal income taxes paid in prior years in the event of future net losses, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

6. Liabilities for Loss Reserves and Loss Adjustment Expense Reserves

Activity in the liabilities for loss reserves and loss adjustment expense reserves for the years ended December 31, 2011 and 2010 is summarized as follows:

	2011	2010
Net balance at January 1	327,040,088	348,239,621
Incurred related to		
Current year	$ 96,051,017	$ 93,250,992
Prior years	(5,029,000)	(24,848,677)
Total incurred	91,022,017	68,402,315
Paid related to		
Current year	21,845,030	23,970,403
Prior years	66,323,000	65,631,445
Total paid	88,168,030	89,601,848
Net balance at December 31	$ 329,894,075	$ 327,040,088

The liabilities for loss and loss adjustment expense reserves are based upon assumptions which consider the experience of the Company, industry experience, and projections by independent actuaries. However, the reserve process is inherently subjective, and the ultimate loss and loss adjustment expense reserves may vary from the amounts recorded in the financial statements.

During 2011, the Company’s incurred losses related to prior years decreased by $5,029,000 as a result of favorable loss development principally in the 2002 through 2010 accident years. During 2011 the results of the independent actuarial study determined there was adequate reserve funding in outstanding losses, direct cost containment expenses and in ceded reserves for accident years 2010 and prior.

During 2010 the results of the independent actuarial study determined there was redundancy in accident years prior to 2009 in outstanding losses, direct cost containment expenses, adjusting and other expenses and in ceded reserves. During 2010, the Company’s incurred losses related to prior years decreased by $24,848,677 due to favorable loss development on the 1993 through 2009 accident years.

7. Reinsurance

The Company assumed risks from another insurance company through a quota share reinsurance agreement for workers’ compensation which was terminated effective for 2005 policy years. Amounts added to loss reserves and loss adjustment expenses for reinsurance assumed are as follows:

		2011		2010
Loss and loss adjustment expenses incurred	$	-	$	24,023
Loss and loss adjustment expense reserves		1,912,999		1,951,828

In 2011 and 2010, the Company wrote policies in the States of Connecticut, Vermont, New Hampshire and Massachusetts and is required to participate in the National Workers' Compensation Reinsurance pool and the Massachusetts Reinsurance Pool (the "Pools") as it relates to those states. Participation requires that the Company share in the losses and expenses of the Pool. Pool results are accounted for on a gross basis whereby the company's portion of premium, losses, expenses and other operations of the Pool are recorded separately in the financial statements. All amounts are recorded as assumed business. Amounts added to premiums, reserves and expense for reinsurance assumed from pools are as follows:

		2011		2010
Premiums earned	$	207,766	$	218,170
Loss and loss adjustment expenses incurred		193,268		179,627
Unearned premiums		85,560		50,917
Loss and loss adjustment expense reserves		306,294		217,872
Underwriting expenses incurred		68,696		46,944

The Company reinsures portions of risks with other insurance companies through excess of loss reinsurance agreements. Such agreements serve to limit the Company's maximum loss on catastrophes and large losses. To the extent that any reinsurer might be unable to meet its obligations, the Company would be liable for such defaulted amounts.

Under the Company's excess of loss agreement, the Company's net retention for losses on a per occurrence basis is $5,000,000 for 2011 and 2010 with reinsurance coverage up to $50,000,000 subject to its net retention. In addition the Company maintains additional coverage up to $75,000,000 on a per occurrence basis, for 50% of the losses occurring in excess of $50,000,000.

The Company also has aggregate excess of loss coverage for policies effective 1998 to 2002 whereby the Company can recover losses exceeding 71% of direct workers' compensation premiums earned but not exceeding 86% of direct workers' compensation premiums earned.

Amounts deducted from premiums, reserves and expenses for reinsurance ceded to other companies for workers compensation and employers' liability were as follows:

		2011		2010
Premiums earned	$	2,173,408	$	2,095,515
Loss and loss adjustment expenses incurred		-		(1,496,606)
Loss and loss adjustment expense reserves		19,852,907		21,998,202
Premiums payable		298,145		342,833

The Company cedes risk to another insurance company through a 85% quote share reinsurance agreement for policy year 2011 and 100% quota share reinsurance agreement for policy years 2008-2010 for its employment practices liability insurance (EPLI) line of business. During 2011, the Company wrote $2,033,532 and earned $2,003,905 which was 86.9% ceded, net of commissions to the other insurance company. As a result of the reinsurance contract, on a net basis, there were $103,000 of outstanding loss and loss adjustment reserves incurred during 2011. Premiums payable as of December 31, 2011 were $317,164.

Of the 2011 and 2010 ceded loss and loss adjustment expense reserves above for all lines of business, 100% of the balances are comprised of amounts with five reinsurance carriers.

The Company had unsecured reinsurance recoverables from reinsurers that exceeded 3% of capital and surplus at December 31, 2011 as follows:

General Reinsurance Corp.	$ 20,067,000

The Company has no reinsurance contracts that contain the following features (a) a contract term longer than two years and that is noncancelable by the reporting entity during the contract term; (b) a limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer; (c) aggregate stop loss reinsurance coverage; (d) an unconditional or unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party; (e) a provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or (f) payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. The Company has neither ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards to policyholders or it report calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year end surplus as regards to policyholders nor has the Company ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement and accounted for that contract as reinsurance (either prospective or retroactive) under statutory account principles. Additionally, the Company has not ceded any risk under any reinsurance contract where (a) the written premiums ceded to the reinsurer represents 50% or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statements or (b) 25% or more of the written premium ceded to the reinsurer has been retroceded back to the Company. Accordingly, the Company has not included the supplemental schedule of reinsurance disclosures.

8. Premiums Written and Earned

During the years ended December 31, 2011 and 2010, direct, assumed and ceded premiums were as follows:

	2011		2010	
	Written	**Earned**	**Written**	**Earned**
Direct	$ 127,669,349	$ 126,519,514	$ 121,406,696	$ 123,253,215
Assumed	242,409	207,766	186,481	218,170
Ceded	(3,921,417)	(4,028,709)	(4,121,632)	(4,073,138)
Net premiums	$ 123,990,341	$ 122,698,571	$ 117,471,545	$ 119,398,247

9. Statutory Deposits

Various regulatory authorities require that securities be placed on deposit. At December 31, 2011 and 2010, the Company had fixed income securities on deposit with a carrying value of $3,554,169 and $3,599,064, respectively.

10. Investments

The cost and fair value, of investments in equity securities, including investments in affiliates, were as follows:

		Gross Unrealized		
	Cost	**Gains**	**Losses**	**Fair Value**
At December 31, 2011				
Common stocks	$ 56,814,041	$ 22,650,703	$ (2,333,626)	$ 77,131,118
Common stocks of affiliates	59,407,480	8,459,664	(234,824)	67,632,320
Other invested assets	17,189,602	268,118	(217,461)	17,240,258
At December 31, 2010				
Common stocks	$ 44,036,049	$ 23,333,193	$ (442,238)	$ 66,927,004
Common stocks of affiliates	46,223,529	11,135,014	(223,529)	57,135,014
Other invested assets	11,402,447	71,999	(1,781)	11,472,665

The Company owns 100% of the common stock of MEMIC Services at a cost of $223,529. As a result of the guarantee between the Company and MEMIC Services the Company recorded a liability of $1,087,506 and $937,674 as of December 31, 2011 and 2010, respectively. Such amounts have been charged directly to unassigned surplus and are included in other liabilities on the balance sheet.

The Company owns 100% of the common stock of MEMIC Indemnity at a cost of $54,000,000 and $46,000,000 as of December 31, 2011 and 2010, respectively. During 2011 the Company invested an additional $8,000,000 towards its investment in MEMIC Indemnity.

During 2004 MEMIC Indemnity issued $6 million of surplus notes that were recorded as an increase to capital and surplus at December 31, 2004. The Company's common stock investment in MEMIC Indemnity and MEMIC Casualty recorded in the December 31, 2011 and 2010 statements of admitted assets, liabilities and capital and surplus excludes the $6 million of surplus notes issued by MEMIC Indemnity during 2004.

The Company owns 100% of the common stock of MEMIC Casualty. The Company contributed capital of $4,622,576 and a $561,375 bond towards its investment in MEMIC Casualty during 2011.

Summary financial data for MEMIC Indemnity and MEMIC Casualty are as follows:

	2011	**2010**
Admitted assets	$ 190,083,695	$ 163,605,837
Liabilities	116,451,377	100,470,823
Capital and surplus	73,632,318	63,135,014
Statutory net income	(1,940,878)	3,637,400

The carrying value and fair values of bonds at December 31, 2011 and 2010 are as follows:

2011	**Carrying Value**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. Government and government agencies and authorities	$ 28,949,495	$ 3,098,188	$ -	$ 32,047,683
States, territories and possessions	79,466,979	8,139,317	(190,680)	87,415,616
Political subdivisions of states	121,463,792	10,256,571	(51,083)	131,669,280
Industrial and miscellaneous	116,183,242	9,075,214	(564,516)	124,693,940
Asset backed securities	128,404,195	9,175,380	(35)	137,579,540
Total bonds	$ 474,467,703	$ 39,744,670	$ (806,313)	$ 513,406,060

2010	**Carrying Value**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. Government and government agencies and authorities	$ 19,002,361	$ 802,751	$ (21,104)	$ 19,784,008
States, territories and possessions	87,237,376	4,268,996	(388,788)	91,117,584
Political subdivisions of states	118,905,610	5,164,007	(330,320)	123,739,297
Industrial and miscellaneous	120,103,495	7,138,401	(67,052)	127,174,844
Asset backed securities	131,418,625	5,730,144	(138,981)	137,009,788
Total bonds	$ 476,667,467	$ 23,104,299	$ (946,245)	$ 498,825,521

Bonds with a NAIC SVO rating of three or higher have been recorded at the lower of cost or fair value in accordance with statutory accounting unless they are a RMBS/CMBS security with a Securities Valuation Officer rating and independently modeled. The model determines the intrinsic price of the security and the price at which the percentage difference between the carrying price and the intrinsic price equals the midpoint between the risk based capital charges for each NAIC designation. This is the maximum price point at which a security can be carried for each NAIC designation. These prices are referred to as break points. The Company utilizes the prospective adjustment methodology to value mortgage-backed bonds. The Company currently holds two securities with a NAIC SVO rating of three of higher that remain at amortized cost as a result of favorable price points.

The carrying value and fair value of bonds by contractual maturity at December 31, 2011 are as follows:

Maturity	**Carrying Value**	**Fair Value**
One year or less	$ 3,595,894	$ 3,674,298
Over one year through five years	94,656,248	100,314,079
Over five years through ten years	180,874,872	199,172,417
Over ten years through twenty years	58,883,603	64,275,157
Over twenty years	8,052,892	8,390,570
Asset backed securities (principally ten through twenty years)	128,404,194	137,579,539
	$ 474,467,703	$ 513,406,060

Bonds subject to early or unscheduled prepayments have been included above based upon their contractual maturity dates. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Proceeds from the sales of investments in debt and equity securities and the gross realized gains and losses on those sales for the years ended December 31, 2011 and 2010, are summarized as follows:

	2011		
	Proceeds From Sales	**Gross Realized Gains**	**Gross Realized Losses**
Bonds	$ 79,754,321	$ 3,960,762	$ (10,721)
Preferred and common stock	11,146,075	2,892,682	(329,121)
	$ 90,900,396	$ 6,853,443	$ (339,842)

	2010		
	Proceeds From Sales	**Gross Realized Gains**	**Gross Realized Losses**
Bonds	$ 38,985,423	$ 834,563	$ (148,029)
Preferred and common stock	419,033	103,392	(40)
	$ 39,404,456	$ 937,955	$ (148,069)

At December 31, 2011 and 2010, the Company owned securities that were in an unrealized loss position that management determined was other than temporary and given current market conditions would not recover. The Company did not record any impairment during 2011, however, recorded impairments of $997,618 in 2010, primarily in the banking and finance sector.

The fair value and gross unrealized loss of investment securities and the amount of time the security has been in an unrealized loss position as of December 31, 2011 is as follows:

	Less than 12 Months		**12 Months or More**		**Total**	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Bonds (NAIC 1-2)	$ 16,908,800	$ (567,572)	$ 5,934,358	$ (238,741)	$ 22,843,159	$ (806,313)
Bonds (NAIC 3-6)	-	-	-	-	-	-
Common stocks - unaffiliated	12,396,184	(1,939,191)	1,070,096	(394,435)	$ 13,466,279	(2,333,626)
	$ 29,304,984	$ (2,506,763)	$ 7,004,454	$ (633,176)	$ 36,309,438	$ (3,139,939)

Unrealized losses on investment grade securities (NAIC 1-2) principally relate to changes in interest rates.

The major categories of net investment income are summarized as follows:

	2011	2010
Bonds	$ 20,667,712	$ 21,389,636
Common and preferred stocks	1,582,022	1,030,672
Cash and short-term investments	25,978	29,087
Other income	303,677	227,923
Total investment income	22,579,389	22,677,318
Less: Investment expenses	(1,376,172)	(1,423,390)
Net investment income	$ 21,203,217	$ 21,253,928

11. Fair Value of Financial Instruments

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

Valuation techniques used to derive fair value of investment securities are based on observable or unobservable inputs. Observable inputs reflect market data obtained from independent resources such as active markets or nationally recognized pricing services. Unobservable inputs reflect comparable securities or valuations received from various broker or dealer quotes.

At December 31, 2011 and 2010, fair value measurements on a recurring basis for our investment securities were as follows:

2011	**Quoted Prices in Active Markets**	**Significant Other Observable Inputs**	**Significant Unobservable Inputs**	**Total**
Cash, Cash equivalents and short-term investments	$ 10,520,911	$ -	$ -	$ 10,520,911
Bonds (industrial and miscellaneous)	-	1,078,418	-	1,078,418
Common stocks	77,131,118	-	-	77,131,118
Other invested assets	6,077,872	-	-	6,077,872
Total fair value	$ 93,729,901	$ 1,078,418	$ -	$ 94,808,319

2010	**Quoted Prices in Active Markets**	**Significant Other Observable Inputs**	**Significant Unobservable Inputs**	**Total**
Cash, Cash equivalents and short-term investments	$ 21,131,855	$ -	$ -	$ 21,131,855
Bonds (industrial and miscellaneous)	-	1,423,869	-	1,423,869
Common stocks	66,927,004	-	-	66,927,004
Other invested assets	5,680,177	-	-	5,680,177
Total fair value	$ 93,739,036	$ 1,423,869	$ -	$ 95,162,905

Transfers to and from Level 3 are recognized when a purchase, sale or settlement increases or decreases to an asset previously valued as a Level 3 or when an investment is purchased which is carried at fair market value and does not have an observable input for valuation. There were no level 3 fair value assets during 2011 or 2010.The Company has no derivative assets or liabilities or assets carried at fair value on a nonrecurring basis.

12. Employee Benefit Plans

The Company has adopted a qualified defined contribution pension, 401(k) and profit sharing plan (the Plan) covering substantially all full-time employees who meet the plans' eligibility requirements. If approved by the Board of Directors, the pension component of the defined contribution plan is determined to be 3-6% of the covered employees' annual eligible compensation. Employees become eligible to participate upon completion of three months of service and are fully vested in the plan after three years of service. The amount expensed for the pension related portion if the Plan was approximately $402,800 and $401,100 in 2011 and 2010, respectively.

The 401(k) and profit sharing portion of the Plan provides for a tax deferred profit sharing contribution by the Company and an employee elective contribution with a matching provision. In 2011 and 2010, with respect to the 401(k) component of the Plan, the Company will contribute an amount up to 100% of the employees' 401(k) contributions to a maximum of 5% of an employees' annual compensation. An employee's contribution may not exceed 60% of their annual salary or the maximum amount allowed as determined by the Internal Revenue Code. The Company's contributions become fully vested after five years. The Company incurred approximately $432,400 and $428,800 of expense related to the 401(k) component of the Plan in 2011 and 2010, respectively. With respect to the profit sharing component of the Plan, each eligible participant may receive a profit sharing contribution in an amount to be determined by the Board of Directors not to exceed 6% plus an additional allocation for employees earning in excess of the taxable wage base. The Company incurred approximately $501,000 and $473,300 of expense related to the profit sharing component of the Plan in 2011 and 2010, respectively.

The Company sponsors a non-qualified, deferred compensation plan (the Compensation Plan) and trust for certain key executives providing for payments upon retirement, death or disability. The Compensation Plan permits eligible officers to defer a portion of their compensation. The Compensation Plan provides that, in the event of liquidation of the Company, all assets of the Compensation Plan will be available to meet the obligations of the Company. Included in both other invested assets and other liabilities are amounts of $6,077,872 and $5,680,177 at December 31, 2011 and 2010, respectively, related to the Compensation Plan. In accordance with NAIC SAP, the increase/(decrease) in market value of the assets of the Plan are recorded into income of the Company. The Company incurred approximately $499,300 and $541,200 of expense related to the Compensation Plan in 2011 and 2010, respectively.

The Company also maintains an Incentive Compensation Plan (the ICP) for certain members of senior management. Under the terms of the ICP, participants are awarded "surplus shares" at the discretion of the Executive Committee of the Board of Directors. Four classes of surplus shares have been awarded under the ICP. At December 31, 2011, a total of 1,990 Class B shares remained unexpired under the Plan. The value of each class of surplus share is determined based on excess capital and surplus as defined in the ICP. Shares become fully vested over a 10 year period or a shorter period, under certain conditions. The Company has incurred approximately $849,700 and $1,434,400 of expense related to the ICP in 2011 and 2010, respectively.

A Long Term Incentive Plan (LTIP) was established by the Compensation Committee of the Board of Directors (the Committee) effective January 1, 2007 for certain members of management and highly compensated individuals (participants). Participants are granted a fixed dollar base award (the “Award”) contingent upon the anticipated growth of imputed surplus. The final earned amount of the Award is based on the actual growth levels of imputed surplus and is calculated upon imputed surplus as compared to Target, Threshold and Maximum Growth levels for an applicable performance period, generally three years. The actual earned amount of the Award can range from Zero to 150% of the fixed dollar base Award. Participants vest in the plan over three years, or a shorter period, under certain established conditions. The Company has incurred approximately $1,289,400 and $1,583,200 of expense related to the LTIP in 2011 and 2010, respectively.

13. Commitments and Contingent Liabilities

The Company leases office space and various office equipment and vehicles under lease arrangements through 2016. Future minimum lease payments under operating leases at December 31, 2011 are as follows:

2012	$	975,011
2013		895,038
2014		863,127
2015		739,350
2016		123,225
Total future minimum lease payments	$	3,595,751

Effective January 1, 2010 the Company transferred its commercial real estate building to its wholly owned subsidiary, CVH. CVH assumed all related lessor leases.

On March 1, 2011, the Company invested an additional $5,100,000 in its wholly owned subsidiary, CVH. CVH invested 100% of the $5,100,000 in its wholly owned subsidiary, Casco View Holdings II, LLC (CVHII) for the purchase of the home office building of the Company which had previously been under a long-term lease with an unrelated party. The Company records both the current and this additional member contribution in CVH in other invested assets. During 2011, the Company paid $712,583 for rent and $14,400 for a parking lease to CVHII. Included in future minimum lease payments are the future rents due through 2016 from the Company to CVHII.

Total rent and lease expense to all related and unrelated parties was $1,062,246 and $1,001,094 for the years ended December 31, 2011 and 2010, respectively.

From time to time the Company may purchase annuities to settle claims. Certain types of annuities provide annuitants with recourse against the Company in the event that the insurer fails to pay under the annuities as agreed. Under these arrangements, the Company remains contingently liable to the annuitant.

The Company is involved in litigation with respect to claims arising in the ordinary course of business, which is taken into account in establishing loss and loss adjustment expense reserves. The Company periodically reviews its overall loss and loss adjustment expense reserve position as well as its provision for reinsurance. The Company’s management believes the resolution of such litigation is not expected to have a material adverse effect on the financial position or the operating results of the Company.

The Company is subject to guaranty fund and other assessments in New Hampshire and Massachusetts and Vermont. The Company accrued a liability for guaranty fund and other assessments of approximately $497,932 and $379,601 in 2011 and 2010, respectively. This represents management's best estimate based on information received from these three states where the Company writes business and may change due to factors including the Company's share of the ultimate cost of insolvencies.

14. Workers' Compensation Board Assessments

The State of Maine Workers' Compensation Board (the "Board") assesses insurance companies, associations, and self-insured employers amounts based upon their written premium levels. At December 31, 2011 and 2010, the assessment was 2.97% and 2.33%, respectively, of written premium. To fund this amount, the Company is required to assess its policyholders these amounts and submit amounts collected to the Board on a quarterly basis. The balance of $1,520,248 and $1,239,904 represents amounts due to the Board as of December 31, 2011 and 2010, respectively.

15. Supplemental Benefits Fund Assessments

In 2002, the State of Maine created the Supplemental Benefits Fund for the purpose of reimbursing insurance companies and self-insurers for supplemental indemnity benefits not originally provided for in rates covering prior years' premiums. Insurance companies are assessed based upon their written premium levels. To fund these amounts, the Company is required to assess its policyholders and submit amounts collected to the Supplemental Benefits Oversight Committee on a quarterly basis. At January 1, 2011 and 2010, the assessment rate was .61% and .68%, respectively, of standard policy premium. The balance of $1,038,225 and $1,060,638 represents amounts due to the Fund for amounts billed but uncollected as of December 31, 2011 and 2010, respectively.

16. Related Party Transactions

The Company owns 100% of the common stock of its insurance services subsidiary, MEMIC Services. The Company paid the affiliate, MEMIC Services, $5,334,071 and $5,467,161, for loss control, managed care and other services provided to the Company for 2011 and 2010, respectively. The Company charges management fees and other services to MEMIC Services in the normal course of business and in accordance with the terms of certain cost sharing agreements. The Company charged MEMIC Services approximately $2,262,514 and $2,232,218 for management fees and other services that were provided to MEMIC Services for 2011 and 2010, respectively.

The Company owns 100% of the common stock of MEMIC Indemnity, a property/casualty insurance company that is licensed to write workers' compensation insurance. The Company charges management fees and other services to MEMIC Indemnity in the normal course of business and in accordance with the terms of certain cost sharing agreements. The Company charged MEMIC Indemnity approximately $1,886,577 and $1,985,285 for underwriting, claims and investment management fees and was charged $81,945 and $100,533 for audit and other services that were provided from MEMIC Indemnity for 2011 and 2010, respectively. In 2011, the Company contributed an additional investment of $8,000,000 in MEMIC Indemnity.

On March 1, 2011, the Company invested an additional $5,100,000 in its wholly owned subsidiary, Casco View Holdings, LLC (CVH). CVH invested 100% of the $5,100,000 in its wholly owned subsidiary, Casco View Holdings II, LLC (CVHII) for the purchase of the home office building of the Company which had previously been under a long-term lease with an unrelated party. The Company records both the current and this additional member contribution in CVH in other invested assets. CVH paid the Company $24,000 for management services during 2011 and 2010 and the Company paid $14,400 for a parking lease during 2011. In addition, the Company leased office space from CVHII and paid $712,583 for rent and parking during 2011.

On December 12, 2011 the Company purchased MEMIC Casualty. The Company contributed capital of $4,658,767 and a $561,375 bond towards its investment in MEMIC Casualty. The Company charges management fees and other services to MEMIC Casualty in the normal course of business and in accordance with the terms of certain cost sharing agreements. In 2011, there were no charges from the Company for such services for underwriting, claims and investment management fees as there were no policies written and no services performed from the December 12, 2011 acquisition date through December 31, 2011.

At December 31, 2011 and 2010, the Company reported $463,962 and $1,367,152, respectively, in admitted amounts due from the affiliates MEMIC Services, MEMIC Indemnity, MEMIC Casualty, CVH and CVHII. The amounts are settled periodically in accordance with the terms of certain cost sharing agreements.

17. Subprime Mortgage Related Risk Exposure

The Company considers its exposure to subprime mortgage risk based on the likelihood of future cash flows, unrealized losses, potential write-downs and the likelihood that an impairment is other than temporary. The Company regularly reviews the ratings of all subprime mortgage risk securities. Differentiation between changes in asset values due to unrealized losses or changes in asset values due to less than anticipated future cash flows are not necessary since the subprime holdings are not material to the overall portfolio. The Company does not rely on investing in subprime mortgages in its overall investment strategy. The Company mitigates its overall exposure with a predominantly fixed income portfolio in other than subprime mortgage based securities.

The Company has the following exposure related to other investments with subprime exposure at December 31, 2011:

	Actual Cost	Book/ Adjusted Carrying Value (excluding interest)	Fair Value	Other than Temporary Impairment to Date
Residential mortgage-backed securities	$ 211,146	$ 211,343	$ 216,833	$ -
Structured securities	382,837	173,864	173,864	-
	$ 593,983	$ 385,207	$ 390,697	$ -

The Company does not have any underwriting exposure to subprime mortgage risk through mortgage guaranty or financial insurance guaranty coverage.

The Company does not have any investments in collateralized debt obligations, structured securities, equity investments in subsidiary, controlled or affiliated entities with significant subprime mortgage related risk exposure, and subprime mortgage loans. Also, the Company does not provide mortgage guaranty or financial guaranty insurance coverage.

18. Loan Backed Securities

The Company has elected to use the prospective method of determining prepayment assumptions. Prepayment assumptions are derived primarily from projected cash flow information obtained from recognized external sources. Where projected cash flow information is not publicly available the information is obtained from external asset managers or by internal estimates. The Company uses IDC Corporation in determining the market value of its loan-backed securities. There have been no changes from the retrospective to the prospective adjustment methodology due to negative yield on specific securities.

The Company has no loan-backed securities that have a recognized other than temporary impairment (OTTI) where the Company either has the intent to sell; or do not have the ability or intent to retain the investment for a period of time to recover any unadjusted amortized cost basis.

The Company currently holds one security with a recognized OTTI where the present value of future cash flows expected to be collected is less than the amortized cost basis of the security.

CUSIP	Amortized Cost Before Other-Than-Temporary Impairment	Present Value of Projected Cash Flows	Other-Than-Temporary Impairment	Amortized Cost After Other-Than-Temporary Impairment	Fair Value at Time of Other-Than-Temporary Impairment	Date of Financial Statement Where Reported
68383NCX9	$ 2,209,427	$ 2,012,788	$ 196,639	$ 2,012,788	$ 1,571,028	12/31/2009
68383NCX9	1,737,020	1,600,690	136,330	1,600,690	1,266,695	6/30/2010
68383NCX9	1,462,072	998,214	327,527	1,134,545	1,095,810	12/31/2010
Total			$ 660,496			

The following table summarizes unrealized losses on loan-backed securities by the length of time that the securities have continuously been in unrealized loss positions.

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Residential mortgage-backed securities	14,191	(35)	1,078,418	(415,600)	1,092,610	(415,635)
Commercial mortgage-backed/asset backed securities	-	-	-	-	-	-
Total	$ 14,191	$ (35)	$ 1,078,418	$ (415,600)	$ 1,092,610	$ (415,635)

There is no additional information necessary to describe the general categories of information that the Company considered in reaching the conclusion that the impairments are not other-than-temporary. The Company asserts that is has the intent and ability to hold these securities long enough to allow the cost basis of these securities to be recovered.

The Company has no repurchase agreements and/or securities lending transactions or low-income housing tax credits in the current year or prior year. The Company has investments in real estate through its wholly owned subsidiary CVH in the current year.

The cumulative amount of credit losses on loan-backed and structured securities still held as of December 31, 2011 is as follows:

	Period from January 1, 2011 to December 31, 2011
Credit losses as of the beginning of the period	$ 3,900,987
Credit losses for which an OTTI was not previously recognized	-
Additional credit losses on securities for which an OTTI was previously recognized	-
Reductions for securities sold during the period	(3,598,268)
Reductions for securities reclassified as intend-to-sell	-
Credit losses as of December 31, 2011	$ 302,719

19. Events Subsequent

Subsequent events have been considered through March 30, 2012 for these statutory financial statements which are available to be issued on that date. There were no events occurring subsequent to the end of the year that merited recognition or disclosure in these financial statements.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in Annual Statement 3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total Amount (Col 3 + Col 4)	6 Percentage
1. Bonds:						
1.1 U.S. treasury securities	12,816,148	1.981	12,816,148		12,816,148	1.981
1.2 U.S. government agency obligations (excluding mortgage-backed securities):						
1.21 Issued by U.S. government agencies						
1.22 Issued by U.S. government sponsored agencies	16,133,349	2.494	16,133,349		16,133,349	2.494
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)						
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:						
1.41 States, territories and possessions general obligations	25,892,154	4.002	25,892,154		25,892,154	4.002
1.42 Political subdivisions of states, territories and possessions and political subdidivison general obligations	60,430,004	9.340	60,430,004		60,430,004	9.340
1.43 Revenue and assessment obligations	114,608,613	17.714	114,608,613		114,608,613	17.714
1.44 Industrial development and similar obligations						
1.5 Mortgage-backed securities (includes residential and commercial MBS):						
1.51 Pass-through securities:						
1.511 Issued or guaranteed by GNMA	27,198,226	4.204	27,198,226		27,198,226	4.204
1.512 Issued or guaranteed by FNMA and FHLMC	56,883,299	8.792	56,883,299		56,883,299	8.792
1.513 All other						
1.52 CMOs and REMICs:						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	15,621,333	2.414	15,621,333		15,621,333	2.414
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521						
1.523 All other	28,701,337	4.436	28,701,337		28,701,337	4.436
2. Other debt and other fixed income securities (excluding short term):						
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	103,128,825	15.940	103,128,825		103,128,825	15.940
2.2 Unaffiliated non-U.S. securities (including Canada)	13,054,415	2.018	13,054,415		13,054,415	2.018
2.3 Affiliated securities						
3. Equity interests:						
3.1 Investments in mutual funds						
3.2 Preferred stocks:						
3.21 Affiliated						
3.22 Unaffiliated						
3.3 Publically traded equity securities (excluding preferred stocks):						
3.31 Affiliated						
3.32 Unaffiliated	77,131,118	11.921	77,131,118		77,131,118	11.921
3.4 Other equity securities:						
3.41 Affiliated	67,632,320	10.453	67,632,320		67,632,320	10.453
3.42 Unaffiliated						
3.5 Other equity interests including tangible personal property under lease:						
3.51 Affiliated						
3.52 Unaffiliated						
4. Mortgage loans:						
4.1 Construction and land development						
4.2 Agricultural						
4.3 Single family residential properties						
4.4 Multifamily residential properties						
4.5 Commercial loans						
4.6 Mezzanine real estate loans						
5. Real estate investments:						
5.1 Property occupied by company						
5.2 Property held for production of income (including $ ....of property acquired in satisfaction of debt)						
5.3 Property held for sale (including $ ....property acquired in satisfaction of debt)						
6. Contract loans						
7. Derivatives						
8. Receivables for securities						
9. Securities Lending (Line 10, Asset page reinvested collateral)				XXX	XXX	XXX
10. Cash, cash equivalents and short-term investments	10,520,911	1.626	10,520,911		10,520,911	1.626
11. Other invested assets	17,240,258	2.665	17,240,258		17,240,258	2.665
12. Total invested assets	646,992,310	100.000	646,992,310		646,992,310	100.000

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2011
To Be Filed by April 1

Of The Maine Employers' Mutual Insurance Company
Address (City, State, Zip Code): Portland ME 04101
NAIC Group Code: 1332 NAIC Company Code: 11149 Employer's ID Number: 01-0476508

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U. S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 716,425,851

2. Ten largest exposures to a single issuer/borrower/investment.

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	MEMIC Indemnity Company	Common Stock Subsidiary	$ 62,459,660	.... 8.718 %
2.02	SPDR S&P Midcap 400 EFT Trust	Common Stock	$ 9,815,812	.... 1.370 %
2.03	Tennessee Valley	Bond	$ 7,356,721	.... 1.027 %
2.04	Conoco Phillips	Bond/Common Stock	$ 6,494,053	.... 0.906 %
2.05	Massachusetts State	Bond	$ 5,645,916	.... 0.788 %
2.06	Oregon State Dept of Admin Services	Bond	$ 5,366,439	.... 0.749 %
2.07	Energy NW WA Elect Rev	Bond	$ 5,317,041	.... 0.742 %
2.08	Coca Cola Corp	Bond/Common Stock	$ 5,289,000	.... 0.738 %
2.09	MEMIC Casualty Company	Common Stock Subsidiary	$ 5,172,660	.... 0.722 %
2.10	Wachovia	Bond/CMBS	$ 5,106,965	.... 0.713 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC-1	$ 464,826,152	.... 64.881 %	3.07	P/RP-1	$..................	..................%
3.02	NAIC-2	$ 15,695,139	.... 2.191 %	3.08	P/RP-2	$..................	..................%
3.03	NAIC-3	$ 1,003,117	.... 0.140 %	3.09	P/RP-3	$..................	..................%
3.04	NAIC-4	$..................	.... %	3.10	P/RP-4	$..................	..................%
3.05	NAIC-5	$..................	.... %	3.11	P/RP-5	$..................	..................%
3.06	NAIC-6	$..................	.... %	3.12	P/RP-6	$..................	..................%

4. Assets held in foreign investments:

(4.01) Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets?		Yes (X) No ( )
(4.02) Total admitted assets held in foreign investments.	$..................	..................%
(4.03) Foreign-currency- denominated investments.	$..................	..................%
(4.04) Insurance liabilities denominated in that same foreign currency.	$..................	..................%

If response, to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:

		1	2
5.01	Countries rated NAIC-1	$	..................%
5.02	Countries rated NAIC-2	$	..................%
5.03	Countries rated NAIC-3 or below	$	..................%

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign rating:

		1	2
	Countries rated NAIC - 1:		
6.01	Country 1:	$	..................%
6.02	Country 2:	$	..................%
	Countries rated NAIC - 2:		
6.03	Country 1:	$	..................%
6.04	Country 2:	$	..................%
	Countries rated NAIC - 3 or below:		
6.05	Country 1:	$	..................%
6.06	Country 2:	$	..................%

	1	2
7. Aggregate unhedged foreign currency exposure:	$	..................%

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign rating:

		1	2
8.01	Countries rated NAIC-1	$	..................%
8.02	Countries rated NAIC-2	$	..................%
8.03	Countries rated NAIC -3 or below	$	..................%

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign rating:

		1	2
	Countries rated NAIC - 1:		
9.01	Country 1:	$	..................%
9.02	Country 2:	$	..................%
	Countries rated NAIC - 2:		
9.03	Country 1:	$	..................%
9.04	Country 2:	$	..................%
	Countries rated NAIC - 3 or below:		
9.05	Country 1:	$	..................%
9.06	Country 2:	$	..................%

10. 10 largest non-sovereign (i.e. non-governmental) foreign issues:

1 Issuer	2 NAIC Rating	3 –	4 –
10.01	10.01	$	..................%
10.02	10.02	$	..................%
10.03	10.03	$	..................%
10.04	10.04	$	..................%
10.05	10.05	$	..................%
10.06	10.06	$	..................%
10.07	10.07	$	..................%
10.08	10.08	$	..................%
10.09	10.09	$	..................%
10.10	10.10	$	..................%

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ( )

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

11.02 Total admitted assets held in Canadian Investments	$	...................%
11.03 Canadian-currency-denominated investments	$	...................%
11.04 Canadian-denominated insurance liabilities	$	...................%
11.05 Unhedged Canadian currency exposure	$	...................%

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ( )

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

1	2	3
12.02 Aggregate statement value of investments with contractual sales restrictions	$	...................%
Largest 3 investments with contractual sales restrictions:		
12.03	$	...................%
12.04	$	...................%
12.05	$	...................%

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets? Yes ( ) No (X)

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

1 Name of Issuer	2	3
13.02 MEMIC Indemnity Company	$ 62,459,660	.... 8.718 %
13.03 SPDR S&P Midcap 400 EFT Trust	$ 9,815,812	.... 1.370 %
13.04 MEMIC Casualty Company	$ 5,172,660	.... 0.722 %
13.05 ISHARES MSCI EAFE Index Fund	$ 2,199,132	.... 0.307 %
13.06 Exxon Mobil Corp	$ 2,055,515	.... 0.287 %
13.07 Apple Inc	$ 1,433,295	.... 0.200 %
13.08 Microsoft Corp	$ 1,308,981	.... 0.183 %
13.09 Chevron Corp	$ 1,230,516	.... 0.172 %
13.10 Proctor & Gamble Co/The	$ 1,120,128	.... 0.156 %
13.11 AT&T Inc	$ 1,093,872	.... 0.153 %

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ( )

If response to 14.01 is yes, responses are not required for the remainder of Interrogatory 14.

	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$	...................%
	Largest 3 investments held in nonaffiliated, privately placed equities:		
14.03	....	$	...................%
14.04	....	$	...................%
14.05	....	$	...................%

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ( )

If response to 15.01 is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02	Aggregate statement value of investments in general partnership interests.	$	...................%
	Largest 3 investments held in general partnership interests:		
15.03	....	$	...................%
15.04	....	$	...................%
15.05	....	$	...................%

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5 % of the reporting entity's total admitted assets? Yes (X) No ( )

If response to 16.01 is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02	....	$	...................%
16.03	....	$	...................%
16.04	....	$	...................%
16.05	....	$	...................%
16.06	....	$	...................%
16.07	....	$	...................%
16.08	....	$	...................%
16.09	....	$	...................%
16.10	....	$	...................%
16.11	....	$	...................%

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

		Loans	
		1	2
16.12	Construction loans	$...................	...................%
16.13	Mortgage loans over 90 days past due	$...................	...................%
16.14	Mortgage loans in the process of foreclosure	$...................	...................%
16.15	Mortgage loans foreclosed	$...................	...................%
16.16	Restructured mortgage loans	$...................	...................%

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

	Loan-to-Value	Residential		Commercial		Agricultural	
		1	2	3	4	5	6
17.01	above 95%	$....................	.... %	$....................	.... %	$....................	..................%
17.02	91% to 95%	$....................	.... %	$....................	.... %	$....................	..................%
17.03	81% to 90%	$....................	.... %	$....................	.... %	$....................	..................%
17.04	71% to 80%	$....................	.... %	$....................	.... %	$....................	..................%
17.05	below 70%	$....................	.... %	$....................	.... %	$....................	..................%

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments real estate:

18.01 Are assets held in real estate reported in less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ( )

If response to 18.01 is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate.

	Description 1	2	3
18.02	....	$....................	..................%
18.03	....	$....................	..................%
18.04	....	$....................	..................%
18.05	....	$....................	..................%
18.06	....	$....................	..................%

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ( )

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

1	2	3
19.02 Aggregate statement value of investments held in mezzanine real estate loans:	$....................	..................%

Largest three investments held in mezzanine real estate loans:

19.03	....	$....................	..................%
19.04	....	$....................	..................%
19.05	....	$....................	..................%

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

		At Year-end		At End of Each Quarter		
				1st Qtr	2nd Qtr	3rd Qtr
		1	2	3	4	5
20.01	Securities lending agreements (do not include assets held as collateral for such transactions)	$....................	.... %	$....................	$....................	$....................
20.02	Repurchase agreements	$....................	.... %	$....................	$....................	$....................
20.03	Reverse repurchase agreements	$....................	.... %	$....................	$....................	$....................
20.04	Dollar repurchase agreements	$....................	.... %	$....................	$....................	$....................
20.05	Dollar reverse repurchase agreements	$....................	.... %	$....................	$....................	$....................

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned		Written	
	1	2	3	4
21.01 Hedging	$..................	.... %	$..................	.... %
21.02 Income generation	$..................	.... %	$..................	.... %
21.03 Other	$..................	.... %	$..................	.... %

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-end		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
22.01 Hedging	$..................	.... %	$..................	$..................	$..................
22.02 Income generation	$..................	.... %	$..................	$..................	$..................
22.03 Replications	$..................	.... %	$..................	$..................	$..................
22.04 Other	$..................	.... %	$..................	$..................	$..................

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year-end		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
23.01 Hedging	$..................	.... %	$..................	$..................	$..................
23.02 Income generation	$..................	.... %	$..................	$..................	$..................
23.03 Replications	$..................	.... %	$..................	$..................	$..................
23.04 Other	$..................	.... %	$..................	$..................	$..................

MEMIC Indemnity Company

Financial Statements (Statutory Basis)
December 31, 2011 and 2010

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Report of Independent Auditors

To the Board of Directors of
MEMIC Indemnity Company:

We have audited the accompanying statutory basis statements of admitted assets, liabilities and capital and surplus of MEMIC Indemnity Company (the "Company") as of December 31, 2011 and 2010, and the related statutory basis statements of income and changes in capital and surplus, and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2 to the financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by the New Hampshire Insurance Department, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2011 and 2010, or the results of its operations or its cash flows for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of the Company as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended on the basis of accounting described in Note 2.

PricewaterhouseCoopers LLP, 125 High Street, Boston, MA 02110
T: (617)530 5000, F: 617)530 5001, www.pwc.com/us

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Summary Investment Schedule and Supplemental Investment Risks Interrogatories of the Company as of December 31, 2011 and for the year then ended are presented for purposes of additional analysis and are not a required part of the financial statements. The effects on the Summary Investment Schedule and Supplemental Investment Risks Interrogatories of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. As a consequence, the Summary Investment Schedule and Supplemental Investment Risks Interrogatories do not present fairly, in conformity with accounting principles generally accepted in the United States of America, such information of the Company as of December 31, 2011 and for the year then ended. The Summary Investment Schedule and Supplemental Investment Risks Interrogatories have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

PricewaterhouseCoopers LLP

March 30, 2012

MEMIC Indemnity Company
Statements of Admitted Assets, Liabilities and Capital and Surplus (Statutory Basis)
Years Ended December 31, 2011 and 2010

	2011	2010
Admitted Assets		
Invested assets		
Bonds, at carrying value (fair value: $151,821,409 and $133,858,064 at December 31, 2011 and 2010, respectively)	$ 142,743,679	$ 129,140,736
Common stocks, at fair value (cost: $3,314,931 and $3,069,384 at December 31, 2011 and 2010, respectively)	4,155,352	4,219,912
Cash and short term investments	13,554,439	8,609,802
Total cash and invested assets	160,453,470	141,970,450
Premium balances receivable	18,144,984	14,782,773
Investment income due and accrued	1,463,003	1,330,456
EDP equipment (net of accumulated depreciation of $301,731 and $250,729 at December 31, 2011 and 2010, respectively)	41,014	78,866
Reinsurance recoverable on paid loss and loss adjustment expenses	249,552	15,732
Net deferred income taxes	4,512,751	5,427,560
Total admitted assets	$ 184,864,774	$ 163,605,837
Liabilities		
Loss reserves	$ 68,884,858	$ 60,749,644
Loss adjustment expense reserves	10,587,394	9,532,951
Unearned premium reserves	26,876,461	21,980,005
Reinsurance premiums payable (recoverable)	523,978	(250,713)
Other liabilities	5,982,855	4,467,080
Amounts withheld for others	701,761	755,297
Commissions payable	2,060,779	1,217,255
Due to parent	472,739	1,363,652
Federal income tax payable	314,286	655,652
Total liabilities	116,405,111	100,470,823
Commitments and contingencies (Note 13)		
Capital and Surplus		
Surplus notes (Note 15)	6,000,000	6,000,000
Common stock, 1,000,000 shares authorized, 100,000 shares issued and outstanding.	3,000,000	3,000,000
Gross paid-in and contributed surplus	51,000,000	43,000,000
Special surplus funds	2,682,840	1,428,548
Unassigned surplus	5,776,823	9,706,466
Total capital and surplus	68,459,663	63,135,014
Total liabilities and capital and surplus	$ 184,864,774	$ 163,605,837

The accompanying notes are an integral part of these financial statements.

MEMIC Indemnity Company
Statements of Income
(Statutory Basis)
Years Ended December 31, 2011 and 2010

	2011	2010
Underwriting income		
Premiums earned, net	$ 49,601,477	$ 42,138,132
Loss and underwriting expenses		
Losses incurred, net	34,607,961	24,350,048
Loss adjustment expenses incurred, net	5,465,523	4,657,887
Underwriting expenses	15,929,160	13,037,611
Total loss and underwriting expenses	56,002,644	42,045,546
Net underwriting (loss) income	(6,401,167)	92,586
Investment income		
Net investment income	4,883,578	4,597,174
Net realized capital (losses) gains, net of taxes	(120,667)	(23,450)
Total investment income	4,762,911	4,573,724
Other expenses		
Bad debt expense	(46,920)	(262,406)
Finance charges	13,660	1,324
Net other expense	(33,260)	(261,082)
(Loss) income before dividends and federal income taxes	(1,671,516)	4,405,228
Dividends to policyholders	(82,669)	114,088
(Loss) income after dividends, before federal income taxes	(1,588,847)	4,291,140
Provision for federal income taxes	340,735	653,740
Net (loss) income	$ (1,929,582)	$ 3,637,400

The accompanying notes are an integral part of these financial statements.

MEMIC Indemnity Company
Statements of Changes in Capital and Surplus
(Statutory Basis)
Years Ended December 31, 2011 and 2010

	2011	2010
Capital and surplus, beginning year	$ 63,135,014	$ 57,346,839
Net (loss) income	(1,929,582)	3,637,400
Increase (decrease) in net deferred income taxes	1,104,957	(233,584)
(Increase) decrease in nonadmitted assets	(1,777,414)	799,285
Decrease in nonadmitted assets from change in special surplus funds	-	1,428,548
Change in net unrealized appreciation of invested assets (net of deferred taxes of ($65,141) as of December 31, 2011 and $80,872 as of December 31, 2010, respectively)	(73,312)	156,526
Capital contributions	8,000,000	-
Surplus converted to capital stock	-	1,000,000
Surplus transferred from paid in capital	-	(1,000,000)
Change in capital and surplus	5,324,649	5,788,175
Capital and surplus, end of year	$ 68,459,663	$ 63,135,014

The accompanying notes are an integral part of these financial statements.

MEMIC Indemnity Company
Statements of Cash Flows
(Statutory Basis)
s Ended December 31, 2011 and 2010

	2011	2010
Cash from operations		
Premiums collected, net	$ 52,131,127	$ 41,442,275
Investment income received, net	5,487,140	5,156,533
Other expense	(33,259)	(261,082)
Cash provided from operations	57,585,008	46,337,726
Benefit and loss related payments	26,706,568	24,391,581
Commissions and expenses paid	17,860,251	16,453,239
Dividends paid to policyholders	41,361	58,770
Federal income taxes recovered (paid)	619,337	(133,318)
Cash used in operations	45,227,517	40,770,272
Net cash provided from operations	12,357,491	5,567,454
Cash from investing activities		
Cash provided by investments		
Proceeds from bonds sold, matured or repaid	25,769,074	14,531,523
Cost of bonds acquired	(40,064,657)	(22,915,255)
Cost of stocks acquired	(245,546)	(200,834)
Net cash used in investing activities	(14,541,129)	(8,584,566)
Cash from financing and miscellaneous sources		
Other cash		
Capital and paid in surplus	8,000,000	-
Other (uses) sources	(871,725)	1,753,206
Net cash provided from financing and miscellaneous sources	7,128,275	1,753,206
Net change in cash	4,944,637	(1,263,906)
Cash, beginning of year	8,609,802	9,873,708
Cash, end of year	$ 13,554,439	$ 8,609,802

The accompanying notes are an integral part of these financial statements.

1. Organization

MEMIC Indemnity Company (the "Company"), a wholly-owned subsidiary of Maine Employers' Mutual Insurance Company ("MEMIC"), was incorporated on February 24, 2000. MEMIC has contributed $54,000,000 to capitalize and fund operations of the Company. The Company is licensed to write workers' compensation insurance in 48 states and the District of Columbia with approximately 90% of premium written in the States of Connecticut, New Hampshire, Massachusetts, New York and Vermont. The Company writes its business primarily through independent agents and brokers in the various states in which it is licensed.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Company are prepared in conformity with statutory accounting practices of the National Association of Insurance Commissioners ("NAIC") as prescribed or permitted by the New Hampshire Insurance Department ("statutory accounting").

The New Hampshire Insurance Department recognizes only statutory accounting practices prescribed or permitted by the State of New Hampshire for determining and reporting the financial condition and results of operations of an insurance company, and for determining its solvency under the New Hampshire Insurance Law. The NAIC Accounting Practices and Procedures Manual ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the State of New Hampshire. There are no differences between the Company's net income, capital and surplus as recognized under NAIC SAP and the practices prescribed and permitted by the State of New Hampshire.

Statutory accounting practices differ in certain respects from accounting principles generally accepted in the United States of America ("GAAP"). The effects of such differences on the accompanying financial statements, which could be significant, have not been determined. The most significant differences generally include the following:

a. Statutory accounting requires that policy acquisition costs such as commissions, premium taxes and other items be charged to current operations as incurred. Under GAAP, policy acquisition costs would be deferred and then amortized ratably over the periods covered by the policies;

b. The statutory provision for federal income taxes represents estimated amounts currently payable based on taxable income or loss reported in the current accounting period. Deferred income taxes are provided in accordance with SSAP 10R, *Income Taxes Revised, A Temporary Replacement of SSAP No. 10* ("SSAP 10R") and changes in deferred income taxes are recorded through surplus. The realization of any resulting deferred tax asset is limited based on certain criteria in accordance with SSAP 10R. The GAAP provision would include a provision for taxes currently payable, as well as deferred taxes, both of which would be recorded in the income statement;

c. Under statutory accounting, certain assets designated as "nonadmitted assets" (principally premiums past due greater than 90 days, deferred income taxes, prepaid assets and office furniture and equipment) are charged directly to surplus. GAAP would require the Company to maintain a reserve for doubtful accounts based on amounts deemed to be uncollectible. Office furniture and equipment would be capitalized and depreciated over the estimated useful lives;

d. Under statutory accounting, investments in debt securities are generally carried at amortized cost. Under GAAP, debt securities classified as trading or available-for-sale are valued at fair value, and debt securities classified as held-to-maturity are valued at amortized cost;

e. Reinsurance balances relating to unpaid loss and loss adjustment expenses are presented as offsets to reserves; under GAAP, such amounts would be presented as reinsurance recoverable; moreover, under statutory accounting, a liability is established for recoverable balances from reinsurers which are not authorized and for overdue paid loss recoverables;

f. Under GAAP, the inclusion of a statement of comprehensive income, detailing the income effects of unrealized gains and losses, foreign exchange transactions, and pension liability adjustments is required;

g. For statutory cash flow purposes, included as cash and cash equivalents are short-term investments which mature within one year as opposed to three months; and

h. A reconciliation of cash flows to the indirect method is not provided under statutory accounting.

Management Estimates
The preparation of financial statements in conformity with statutory accounting practices requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Invested Assets
Invested assets are valued in accordance with the statutory basis of valuation prescribed by the NAIC. Cash includes cash, cash equivalents and short-term investments, which are short-term investments which mature within one year; the carrying value of these investments approximates fair value.

Bonds are generally stated at amortized cost. Bonds with an NAIC SVO rating of "three" or higher are carried at the lower of amortized cost or fair value. The fair values of these securities are based on quoted prices for similar assets in active markets unless they are a RMBS/CMBS security with a Securities Valuation Officer rating and independently modeled. The model determines the intrinsic price of the security and the price at which the percentage difference between the carrying price and the intrinsic price equals the midpoint between the risk based capital charges for each NAIC designation. This is the maximum price point at which a security can be carried for each NAIC designation. These prices are referred to as break points. The Company utilizes the prospective adjustment methodology to value mortgage-backed bonds.

Common and preferred stocks are generally stated at the fair value. The fair values of bonds and common and preferred stocks are based on quoted market prices in active markets. Where declines in the value of marketable securities are deemed other than temporary, the loss is reported as a component of net realized capital (losses) gains. The net unrealized gains and losses on these marketable securities, after deductions of applicable deferred income taxes, are credited or charged directly to policyholders' surplus.

Investment income is recorded on an accrual basis. Realized capital gains and losses are reported in operating results based on the specific identification of investments sold. Unrealized capital gains and losses from the valuation of investments at fair value are credited or charged directly to unassigned surplus, net of federal income taxes, unless determined to be other than temporary and included as a component of net realized capital (losses) gains.

Realized gains or losses on the sale of investments are determined on the specific identification method and are included in the results of operations. Declines in values of securities that are other-than-temporary are written down with a corresponding charge to net realized losses. Specific impairments are determined based on a continual review of investment portfolio valuations.

Effective July 1, 2009 SSAP 43R, Loan-Backed and Structured Securities was adopted by the Company. SSAP 43R introduces revised statutory accounting guidance for loan-backed and structured securities, including the recognition of other-than-temporary impairments. Credit related declines in the fair value of loan-backed or structured securities are to be reflected as a realized loss in the income statement. Refer to Note 16 for the Company's evaluation of SSAP 43R on these financial statements.

Premiums and Unearned Premium Reserves

Direct and assumed premiums, net of amounts ceded to other insurance companies, are earned on a monthly pro rata basis over the in-force period. Accordingly, unearned premium reserves are established for the pro rata portion of premiums written which are applicable to the unexpired terms of the policies in force, net of reinsurance. Premium adjustments resulting from retrospective rating plans and/or audits are immediately recorded as written and earned premiums once such amounts can be reasonably estimated.

Equities and Deposits in Pools

The Company is required to participate in involuntary pools in several states where it writes workers' compensation business. The Company participates in underwriting results, including premiums, losses, expenses and other operations of involuntary pools, based on the Company's proportionate share of similar business written in the state. Underwriting results are accounted for on a gross basis whereby the Company's portion of premiums, losses, expenses and other operations of the pool are recorded separately in the financial statements rather than netted against each other.

Loss and Loss Adjustment Expense Reserves

Losses and loss adjustment expenses are recorded as incurred so as to match such costs and premiums over the contract periods. Loss reserves are established for losses and loss adjustment expenses based upon claim evaluations and include an estimated provision for both reported and unreported claims incurred and related expenses. The assumptions used in determining loss and loss adjustment expense reserves have been developed after considering the experience of the Company, industry experience and projections by independent actuaries. The ultimate loss and loss adjustment expense reserves may vary from the amounts reflected in the accompanying financial statements. The method utilized in estimating and establishing the reserves are continually reviewed and updated and any adjustments are reflected in current operating results. Allowances for subrogation recoveries are included in the Company's estimate of loss reserves. See the summary of reserve development in Note 6.

Nonadmitted Assets

The following nonadmitted assets were excluded from the balance sheet as of December 31, 2011 and 2010:

	2011	2010
Premium balances receivable over 90 days past due	$ 153,341	$ 374,055
Deferred income taxes	3,722,762	1,637,855
Fixed assets, net of accumulated depreciation	149,873	238,047
Other assets	193,186	191,790
Total nonadmitted assets	$ 4,219,162	$ 2,441,747

Depreciation expense on nonadmitted fixed assets was $85,352 and $90,506 in 2011 and 2010, respectively.

Federal Income Taxes

The Company files a consolidated tax return with MEMIIC, MEMIC Casualty, MEMIC Services, Inc, and Casco View Holdings, LLC. Under this tax-sharing agreement, the provision for federal income taxes is recorded based upon amounts expected to be reported as if the Company filed a separate federal income tax return. Additionally, under this agreement, the Company will be reimbursed for the utilization of tax operating losses, tax credits and capital loss carryforwards, to the extent the Companies would have utilized these tax attributes on a separate return basis.

The provision for federal income taxes includes amounts currently payable or recoverable and deferred income taxes, computed under the asset/liability method, which results from temporary differences between the tax basis and book basis of assets and liabilities.

Effective December 31, 2009 SSAP 10R was issued. The statement allows the recognition and admission of deferred tax assets that will reverse over a three year period as compared to the one year period allowed under the original guidance of SSAP 10. The expanded admissibility provisions within SSAP 10R are optional provided companies meet certain risk-based capital thresholds. The Company adopted those provisions for the years ended December 31, 2011 and 2010. Refer to Accounting Changes noted herein. The statement also requires a statutory valuation allowance to be established against gross deferred tax assets to the extent it is more likely than not that a portion of the deferred tax assets will not be realized in the future. Refer to Note 5 - Income Taxes.

Effective January 1, 2009 the Financial Accounting Standards Board ("FASB") concluded that FIN 48, *Accounting for Uncertain Tax Positions*, ("FIN 48"), subsequently codified within ASC 740, *Income Taxes*, ("ASC 740") would be effective for nonpublic entities. ASC 740 clarifies how a company should recognize, measure, present and disclose certain uncertain tax positions that it has taken or expects to take on a tax return. The Company files federal income tax returns and therefore the disclosures required by ASC 740 pursuant to uncertain tax positions are included in these statutory financial statements. Refer to Note 5 - Income Taxes.

In November 2011, the NAIC adopted SSAP No. 101, “Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10.” This statement revises statutory accounting principles for current and deferred federal and foreign income taxes and current state income taxes. SSAP No. 101, which is effective on January 1, 2012, will: (1) restrict the ability to use the 3 years/15 percent of surplus admission rule to those entities that meet a new modified risk based capital ratio threshold; (2) change the recognition threshold for recording tax contingency reserves from a probable liability standard to a more-likely-than-not liability standard; (3) require the disclosure of tax planning strategies that relate to reinsurance; and, (4) require consideration of reversal patterns of DTAs and deferred tax liabilities (DTLs) in determining the extent to which DTLs could offset DTAs on the balance sheet. The Company is in the process of assessing the impact of adopting this standard.

Accounting Changes

During 2010, the Company elected to admit deferred tax assets (DTAs) pursuant to paragraph 10.e. of SSAP No. 10R, *Income Taxes – A Temporary Replacement of SSAP No. 10*. The Company elected to admit DTAs pursuant to paragraph 10.e. of SSAP No. 10R during 2010 as the election became a permanent component of statutory surplus. The Company recorded a cumulative increase in deferred tax assets and surplus of $2,682,840 as a result of the election. The increase in admitted DTAs was driven primarily by the one to three year reversal components of fixed assets, non-admitted agent balances and loss and loss adjustment expense reserves.

EDP Equipment

EDP equipment is stated at cost, net of accumulated depreciation. Depreciation is computed principally by use of the straight-line method based on the estimated useful lives of assets, which is generally three years. Depreciation expense for the years ended December 31, 2011 and 2010 was $55,274 and $68,506, respectively. Expenditures for maintenance and repairs relating to EDP equipment and certain fixed assets which are nonadmitted are charged to expense as incurred. When property is sold or retired, the cost of the property and the related accumulated depreciation are removed from the statement of admitted assets, liabilities and capital and surplus and any gains or loss on the transaction is reflected in current operating results.

3. Capital and Surplus

Total contributions from MEMIC were $54,000,000 and $46,000,000 as of December 31, 2011 and 2010.

The Company has 1,000,000 shares of stock authorized; 100,000 shares issued and outstanding as of December 31, 2011 and 2010. The stock had a $30 par value per share as of December 31, 2011 and 2010. During 2010, the Company increased the par value of capital stock from $20 to $30 per share to fulfill the requirements of an insurance department requirement for capital stock.

4. Dividend Restrictions

The Company may declare a dividend without insurance department approval so long as such dividend is not considered extraordinary. In the case of extraordinary dividends, prior approval is required. An extraordinary dividend or distribution includes any dividend or distribution of cash or other property, whose fair market value together with that of other dividends or distributions made within the preceding 12 months, exceeds 10% of such insurer’s capital and surplus as of December 31, limited to the prior year-end’s unassigned surplus. There were no stockholder dividends declared during 2011.

5. Income Taxes

The components of the net deferred tax asset /(liability)at December 31 are as follows:

	December 31, 2011		
	Ordinary	Capital	Total
(a) Total of deferred tax assets	$ 7,924,553	$ 642,853	$ 8,567,406
(b) Statutory valuation allowance adjustment			-
(c) Adjusted gross deferred taxes	7,924,553	642,853	8,567,406
(d) Deferred tax liabilities	37,745	294,148	331,893
(e) Subtotal (Net Deferred Tax Assets) (1c - 1d)	7,886,808	348,705	8,235,513
(f) Deferred Tax Assets Nonadmitted	3,374,057	348,705	3,722,762
(g) Net Admitted Deferred Tax Assets (1e - 1f)	$ 4,512,751	$ -	$ 4,512,751

	December 31, 2010		
	Ordinary	Capital	Total
(a) Total of deferred tax assets	$ 6,829,235	$ 702,127	$ 7,531,362
(b) Statutory valuation allowance adjustment	-	-	-
(c) Adjusted gross deferred taxes	6,829,235	702,127	7,531,362
(d) Deferred tax liabilities	63,262	402,685	465,947
(e) Subtotal (Net Deferred Tax Assets) (1c - 1d)	6,765,973	299,442	7,065,415
(f) Deferred Tax Assets Nonadmitted	1,338,413	299,442	1,637,855
(g) Net Admitted Deferred Tax Assets (1e - 1f)	$ 5,427,560	$ -	$ 5,427,560

	Change		
	Ordinary	Capital	Total
(a) Total of deferred tax assets	$ 1,095,318	$ (59,274)	$ 1,036,044
(b) Statutory valuation allowance adjustment	-	-	-
(c) Adjusted gross deferred taxes	1,095,318	(59,274)	1,036,044
(d) Deferred tax liabilities	(25,517)	(108,537)	(134,054)
(e) Subtotal (Net Deferred Tax Assets) (1c - 1d)	1,120,835	49,263	1,170,098
(f) Deferred Tax Assets Nonadmitted	2,035,644	49,263	2,084,907
(g) Net Admitted Deferred Tax Assets (1e - 1f)	$ (914,809)	$ -	$ (914,809)

The Company has elected to admit DTAs pursuant to paragraph 10.e. of SSAP No. 10R, *Income Taxes – A Temporary Replacement of SSAP No. 10.* for the calendar year ending December 31, 2011 and 2010.

As a result of the Company’s election to admit DTAs pursuant to paragraph 10.e. of SSAP No. 10R, the Company has additional DTAs of $1,254,292 and $1,428,548 above the amount that would have been reported under the original pronouncement during December 31, 2011 and 2010, respectively, which is included in special surplus funds on the statements of admitted assets, liabilities and capital and surplus.

The table below discusses the results of the application of SSAP No. 10R for 2011 and 2010.

	December 31, 2011		
	Ordinary	Capital	Total
Admission Calculation Components SSAP No. 10R, Paragraphs 10.a., 10.b & 10.c:			
(a) SSAP No. 10R, Paragraph 10.a.	$ 1,221,942	$ -	$ 1,221,942
(b) SSAP No. 10R, Paragraph 10.b. (the lesser of paragraph 10.b.i and 10.b.ii below)	2,036,516	-	2,036,516
(c) SSAP No. 10R, Paragraph 10.b.i	2,036,516		2,036,516
(d) SSAP No. 10R, Paragraph 10.b.ii	5,947,974		5,947,974
(e) SSAP No. 10R, Paragraph 10.c.	37,745	294,148	331,893
(f) Total (4a + 4b + 4e)	$ 3,296,203	$ 294,148	$ 3,590,351

	December 31, 2010		
	Ordinary	Capital	Total
(a) SSAP No. 10R, Paragraph 10.a.	$ 2,352,592	$ -	$ 2,352,592
(b) SSAP No. 10R, Paragraph 10.b. (the lesser of paragraph 10.b.i and 10.b.ii below)	1,646,420	-	1,646,420
(c) SSAP No. 10R, Paragraph 10.b.i	1,646,420	-	1,646,420
(d) SSAP No. 10R, Paragraph 10.b.ii	5,391,648	-	5,391,648
(e) SSAP No. 10R, Paragraph 10.c.	63,262	402,685	465,947
(f) Total (4a + 4b + 4e)	$ 4,062,274	$ 402,685	$ 4,464,959

	Change		
	Ordinary	Capital	Total
(a) SSAP No. 10R, Paragraph 10.a.	$ (1,130,650)	$ -	$ (1,130,650)
(b) SSAP No. 10R, Paragraph 10.b.	-	-	-
(the lesser of paragraph 10.b.i and 10.b.ii below)	390,096	-	390,096
(c) SSAP No. 10R, Paragraph 10.b.i	390,096	-	390,096
(d) SSAP No. 10R, Paragraph 10.b.ii	556,326	-	556,326
(e) SSAP No. 10R, Paragraph 10.c.	(25,517)	(108,537)	(134,054)
(f) Total (4a + 4b + 4e)	$ (766,071)	$ (108,537)	$ (874,608)

	December 31, 2011		
	Ordinary	Capital	Total
Admission Calculation Components SSAP No. 10R, Paragraphs 10.e			
(g) SSAP No. 10R, Paragraph 10.e.i	$ 1,350,512	$ -	$ 1,350,512
(h) SSAP No. 10R, Paragraph 10.e.ii			-
(the lesser of paragraph 10.e.ii.a and 10.e.ii.b below)	3,162,238		3,162,238
(i) SSAP No. 10R, Paragraph 10.e.ii.a	3,162,238		3,162,238
(j) SSAP No. 10R, Paragraph 10.e.ii.b	8,921,961		8,921,961
(k) SSAP No. 10R, Paragraph 10.e.iii	37,745	294,148	331,893
(l) Total (4g + 4h + 4k)	$ 4,550,495	$ 294,148	$ 4,844,643

	December 31, 2010		
	Ordinary	Capital	Total
(g) SSAP No. 10R, Paragraph 10.e.i	$ 2,352,592	$ -	$ 2,352,592
(h) SSAP No. 10R, Paragraph 10.e.ii		-	-
(the lesser of paragraph 10.e.ii.a and 10.e.ii.b below)	3,074,968	-	3,074,968
(i) SSAP No. 10R, Paragraph 10.e.ii.a	3,074,968	-	3,074,968
(j) SSAP No. 10R, Paragraph 10.e.ii.b	8,087,471	-	8,087,471
(k) SSAP No. 10R, Paragraph 10.e.iii	63,262	402,685	465,947
(l) Total (4g + 4h + 4k)	$ 5,490,822	$ 402,685	$ 5,893,507

	Change		
	Ordinary	Capital	Total
(g) SSAP No. 10R, Paragraph 10.e.i	$ (1,002,080)	$ -	$ (1,002,080)
(h) SSAP No. 10R, Paragraph 10.e.ii	-	-	-
(the lesser of paragraph 10.e.ii.a and 10.e.ii.b below)	87,270	-	87,270
(i) SSAP No. 10R, Paragraph 10.e.ii.a	87,270	-	87,270
(j) SSAP No. 10R, Paragraph 10.e.ii.b	834,490	-	834,490
(k) SSAP No. 10R, Paragraph 10.e.iii	(25,517)	(108,537)	(134,054)
(l) Total (4g + 4h + 4k)	$ (940,327)	$ (108,537)	$ (1,048,864)

Used in SSAP no. 10R, Paragraph 10.d

	December 31,		
	2011	2010	Change
(m) Total Adjusted Capital	$ 63,135,014	$ 53,796,623	$ 9,338,391
(n) Authorized Control Level	$ 4,499,230	$ 4,462,605	$ 36,625

	December 31, 2011		
	Ordinary	Capital	Total
SSAP No. 10R, Paragraphs 10.a., 10.b., & 10.c:			
(a) Admitted Deferred Tax Assets	$ 3,296,203	$ 294,148	$ 3,590,351
(b) Admitted Assets			183,083,161
(c) Adjusted Statutory Surplus			67,205,372
(d) Total Adjusted Capital from DTAs			1,221,942

	December 31, 2010		
	Ordinary	Capital	Total
(a) Admitted Deferred Tax Assets	$ 4,062,274	$ 402,685	$ 4,464,959
(b) Admitted Assets			162,177,289
(c) Adjusted Statutory Surplus			61,706,466
(d) Total Adjusted Capital from DTAs			3,999,012

	Change		
	Ordinary	Capital	Total
(a) Admitted Deferred Tax Assets	$ (766,071)	$ (108,537)	$ (874,608)
(b) Admitted Assets			-
(c) Adjusted Statutory Surplus			-
(d) Total Adjusted Capital from DTAs			-

	December 31, 2011		
	Ordinary	Capital	Total
Increases due to SSAP No. 10R, Paragraph 10.e			
(e) Admitted Deferred Tax Assets	$ 1,254,292	$ -	$ 1,254,292
(f) Admitted Assets	$ 184,337,453		184,337,453
(g) Statutory Surplus	$ 68,459,664		68,459,664

	December 31, 2010		
	Ordinary	Capital	Total
(e) Admitted Deferred Tax Assets	$ 1,428,548	$ -	$ 1,428,548
(f) Admitted Assets	163,605,837		163,605,837
(g) Statutory Surplus	63,135,014		63,135,014

	Change		
	Ordinary	Capital	Total
(e) Admitted Deferred Tax Assets	$ (174,256)	$ -	$ (174,256)
(f) Admitted Assets	20,731,616	-	20,731,616
	5,324,650	-	5,324,650

	(1) Ordinary %	(2) Capital %	(3) Total % Col (1) + (2)
Impact of Tax Planning Strategies			
Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	0.00%	7.50%	7.50%
Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs)	0.00%	14.20%	14.20%

There are no deferred tax liabilities that have not been recognized in the Company's financial statements.

Current and deferred income taxes consist of the following major components:

Current Income Tax:

	December 31, 2011	December 31, 2010	Change
Federal	$ 340,735	$ 653,740	$ (313,005)
Foreign			-
Subtotal	340,735	653,740	(313,005)
Federal income tax on net capital gains	(62,764)	7,029	(69,793)
Utilization of capital loss carry-forwards			-
Other			-
Federal and foreign income taxes incurred	$ 277,971	$ 660,769	$ (382,798)

Deferred Tax Assets:

	December 31, 2011	December 31, 2010	Change
Ordinary			
Discount of unpaid losses	$ 4,069,570	$ 3,666,592	$ 402,978
Unearned premium reserve	1,881,352	1,530,748	350,604
Tax credit carry-forward	-	-	-
Other	1,973,631	1,631,895	341,736
Subtotal	7,924,553	6,829,235	1,095,318
Statutory valuation allowance adjustment		-	-
Nonadmitted	3,374,057	1,338,413	2,035,644
Admitted ordinary deferred tax assets	$ 4,550,496	$ 5,490,822	$ (940,326)
Capital			
Investments	$ 642,853	$ 702,127	$ (59,274)
Subtotal	642,853	702,127	(1,344,980)
Statutory valuation allowance adjustment		-	-
Nonadmitted	348,705	299,442	49,263
Admitted capital deferred tax assets	294,148	402,685	(108,537)
Admitted deferred tax assets	$ 4,844,644	$ 5,893,507	$ (1,048,863)

Deferred Tax Liabilities:

	December 31, 2011	December 31, 2010	Change
Ordinary			
Investments	$ 32,217	$ 32,786	$ (569)
Policyholder reserves	5,528	30,476	(24,948)
Subtotal	37,745	63,262	(25,517)
Capital			
Investments	294,148	402,685	(108,537)
Subtotal	294,148	402,685	(108,537)
Deferred tax liabilities	331,893	465,947	(134,054)
Net deferred tax asset/liabilities	$ 4,512,751	$ 5,427,560	$ (914,809)

Reconciliation of Federal Income Tax Rate to Actual Effective Rate:

Among the more significant book to tax adjustments were the following:

	Amount	Tax Effect	Effective Tax Rate
Tax provision before capital gains tax at statutory rate	$ (1,651,611)	$ (578,064)	35%
Dividend received deduction	(155,643)	(54,475)	3%
Tax-exempt interest	(1,651,742)	(578,110)	35%
Nondeductible expenses	42,016	14,706	-1%
Other	1,054,163	368,957	-22%
	$ (2,362,817)	$ (826,986)	50%
Federal income tax expense		277,971	-17%
Change in deferred income taxes		(1,104,957)	67%
Total statutory income taxes		$ (826,986)	50%

As of December 31, 2011 and 2010 the Company does not have any investment tax credits, net operating loss or capital loss carry forwards available to offset against future taxable income. The amount of federal income taxes incurred in the current year and each proceeding year available for recoupment in the event of future net losses is $314,286 for 2011 and $655,652 for 2010. There are no deposits admitted under Section 6603 of the Internal Revenue Code.

As of December 31, 2011 and 2010 the Company does not have any uncertain tax positions requiring disclosure in these financial statements. Had the Company identified such positions, these amounts would need to be evaluated and disclosed or accrued. Liabilities would be reflected on the statement of admitted assets, liabilities, and capital and surplus and the related interest and penalties would be included on the statement of income as underwriting expenses.

As of December 31, 2011, the company expects to be in an AMT position of $234,711. As of December 31, 2010, the Company did not incur any AMT on a stand-alone basis, but recognized a reduction of tax of 621,537 due to recovery of AMT credit on a consolidated basis, as stipulated in the tax sharing agreement.

The tax years that remain subject to examination by major tax jurisdictions for the Company are 2006, 2007, 2008, 2009 and 2010.

The Company is included in a consolidated federal income tax return with the following entities:

Maine Employers' Mutual Insurance Company, parent company,
Casco View Holdings, LLC, a related party under common ownership,
MEMIC Casualty Company, a related party under common ownership,
MEMIC Services, Inc., a related party under common ownership.

The Company has a written agreement which sets forth the manner in which the total combined federal income tax is allocated to each entity which is a party to the consolidation. Pursuant to this agreement, the Company has a right to recoup federal income taxes paid in prior years in the event of future net losses, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

6. Liabilities for Loss Reserves and Loss Adjustment Expense Reserves

Activity in the liabilities for loss reserves and loss adjustment expense reserves for the years ended December 31, 2011 and 2010 is summarized as follows:

	2011	2010
Net balance at January 1	$ 70,282,595	$ 70,247,731
Incurred related to		
Current year	40,544,632	34,069,766
Prior year	(471,148)	(5,061,831)
Total Incurred	40,073,484	29,007,935
Paid related to		
Current year	10,786,323	9,733,542
Prior year	20,097,504	19,239,529
Total Paid	30,883,827	28,973,071
Net balance at December 31	$ 79,472,252	$ 70,282,595

The liabilities for loss and loss adjustment expense reserves are based upon assumptions which consider the experience of the Company, industry experience, and projections by independent actuaries. However, the reserve process is inherently subjective, and the ultimate loss and loss adjustment expense reserves may vary from the amounts recorded in the financial statements.

During 2011, the Company's incurred losses related to prior years decreased by $471,000 as a result of favorable loss development principally in the 2002 through 2010 accident years. During 2011 the results of the independent actuarial study determined there was adequate reserve funding in outstanding losses, direct cost containment expenses and in ceded reserves for accident years 2010 and prior.

During 2010, the Company's incurred losses related to prior years decreased by $5.1 million as a result of favorable loss development principally in the 2002 through 2009 accident years. During 2010 the results of the independent actuarial study determined there was redundancy in accident years prior to 2009 in outstanding losses, direct cost containment expenses and in ceded reserves.

7. Reinsurance

The Company assumed risks from another insurance company through a 100% quota share reinsurance agreement which was terminated effective for 2005 policy years. Amounts added to loss reserves and loss adjustment expenses for reinsurance assumed from the other company are as follows:

	2011	2010
Loss and loss adjustment expenses incurred	$ -	$ -
Loss and loss adjustment expense reserves	379,933	541,011

As a condition of writing policies in several states, the Company is required to participate in the National Workers' Compensation Reinsurance Pool and the Massachusetts Reinsurance Pool (the "Pools") as it relates to those states. Participation requires that the Company share in the losses and expenses of the Pool. Pool results are accounted for on a gross basis whereby the Company's portion of premiums, losses, expenses and other operations of the Pool are recorded separately in the financial statements. All amounts are recorded as assumed business. Amounts added to premiums, reserves and expenses for reinsurance assumed from pools are as follows:

	2011	2010
Premiums earned	$ 1,909,084	$ 1,863,171
Loss and loss adjustment expenses incurred	2,207,388	1,913,484
Unearned premiums	888,918	667,543
Loss and loss adjustment expense reserves	7,419,423	6,614,216
Premiums receivable	412,464	358,943
Underwriting expenses incurred	702,091	540,137

The Company reinsures portions of risks with another insurance company through excess of loss reinsurance agreements. Such agreements serve to limit the Company's maximum loss on catastrophes and large losses. To the extent that the reinsurer might be unable to meet its obligations, the Company would be liable for such defaulted amounts.

Under the Company's excess of loss agreement, the Company's net retention for losses on a per occurrence basis is $1,000,000 for 2011, $2,000,000 for 2010 and 2009, $3,000,000 for 2008, $2,000,000 for 2007, $1,000,000 for 2006 and $500,000 for 2005, 2004 and 2003 with reinsurance coverage up to $50,000,000 subject to its net retention. For losses incurred prior to 2003, the net retention for losses is $100,000 with coverage up to $50,000,000 subject to its net retention. In addition, the Company maintains additional coverage up to $75,000,000 on a per occurrence basis, for 50% of the losses occurring in excess of $50,000,000.

Amounts deducted from premiums, reserves and expenses for reinsurance ceded were as follows:

	2011	2010
Premiums earned	$ 2,569,341	$ 1,312,238
Loss and loss adjustment expenses incurred	-	129,000
Loss and loss adjustment expense reserves	3,004,619	3,383,537
Premiums (receivable) payable	523,978	(250,713)

The 2011 and 2010 ceded loss and loss adjustment expense reserves above are comprised of amounts with one reinsurance carrier although the Company has contracts with other carriers.

The Company has unsecured reinsurance recoverables from a reinsurer that exceeded 3% of capital and surplus at December 31, 2011 as follows:

General Reinsurance Corp.	$ 3,255,000

The Company's reinsurance program was implemented in accordance with the New Hampshire Insurance Department's Consent Agreement dated March 8, 2000.

The Company has no reinsurance contracts that contain the following features (a) a contract term longer than two years and that is noncancelable by the reporting entity during the contract term; (b) a limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer; (c) aggregate stop loss reinsurance coverage; (d) an unconditional or unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party; (e) a provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or (f) payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. The Company has neither ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards to policyholders or it report calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year end surplus as regards to policyholders nor has the Company ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement and accounted for that contract as reinsurance (either prospective or retroactive) under statutory account principles. Additionally, the Company has not ceded any risk under any reinsurance contract where (a) the written premiums ceded to the reinsurer represents 50% or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statements or (b) 25% or more of the written premium ceded to the reinsurer has been retroceded back to the Company. Accordingly, the Company has not included the supplemental schedule of reinsurance disclosures.

8. Premiums Written and Earned

During the years ended December 31, 2011 and 2010, direct, assumed and ceded premiums were as follows:

	2011		2010	
	Written	**Earned**	**Written**	**Earned**
Direct	$ 54,947,949	$ 50,261,734	$ 43,323,461	$ 41,587,199
Assumed	2,130,458	1,909,084	1,669,581	1,863,171
Ceded	(2,569,341)	(2,569,341)	(1,312,238)	(1,312,238)
Net premiums	$ 54,509,066	$ 49,601,477	$ 43,680,804	$ 42,138,132

9. Statutory Deposits

Various regulatory authorities require that securities be placed on deposit. At December 31, 2011 and 2010, the Company had fixed income securities on deposit with a carrying value of $8,994,640 and $9,932,696, respectively.

10. Investments

The carrying value and fair values of bonds at December 31, 2011 and 2010 are as follows:

2011	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government and government agencies and authorities	$ 15,156,283	$ 2,419,004	$ -	$ 17,575,287
States, territories and possessions	23,915,093	1,473,016	(9,862)	25,378,247
Political subdivisions of states	31,369,120	1,807,507	(4,858)	33,171,769
Industrial and miscellaneous	42,441,319	2,105,926	(136,793)	44,410,452
Asset backed securities	29,861,864	1,565,126	(141,336)	31,285,654
Total bonds	$ 142,743,679	$ 9,370,579	$ (292,849)	151,821,409
Other invested assets	$ -	$ -	$ -	$ -

2010	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government and government agencies and authorities	$ 17,491,569	$ 1,178,422	$ (4,842)	$ 18,665,149
States, territories and possessions	20,285,002	712,495	(177,578)	20,819,919
Political subdivisions of states	35,811,414	885,481	(113,210)	36,583,685
Industrial and miscellaneous	30,651,423	1,096,625	(17,001)	31,731,047
Asset backed securities	24,901,328	1,230,779	(73,843)	26,058,264
Total bonds	$ 129,140,736	$ 5,103,802	$ (386,474)	133,858,064
Other invested assets	$ -	$ -	$ -	$ -

The cost and fair value of equity securities were as follows:

2011	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Common stocks	$ 3,314,930	$ 856,174	$ (15,752)	$ 4,155,352

2010	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Common stocks	$ 3,069,384	$ 1,150,528	$ -	$ 4,219,912

Bonds with a NAIC SVO rating of three or higher have been recorded at the lower of cost or fair value in accordance with statutory accounting unless they are a RMBS/CMBS security with a Securities Valuation Officer rating and independently modeled. The model determines the intrinsic price of the security and the price at which the percentage difference between the carrying price and the intrinsic price equals the midpoint between the risk based capital charges for each NAIC designation. This is the maximum price point at which a security can be carried for each NAIC designation. These prices are referred to as break points. The Company utilizes the prospective adjustment methodology to value mortgage-backed bonds. The Company currently holds one security with a NAIC SVO rating of three of higher that remains at amortized cost as a result of a favorable price point.

The carrying value and fair value of bonds at December 31, 2011 by contractual maturity are as follows:

Maturity	**Carrying Value**	**Fair Value**
One year or less	$ 4,772,569	$ 4,852,529
Over one year through five years	45,490,774	47,807,434
Over five years through ten years	43,413,124	46,837,087
Over ten years through twenty years	17,795,303	19,390,882
Over twenty years	1,410,045	1,647,824
	112,881,815	120,535,756
Asset backed securities (principally ten through twenty years)	29,861,864	31,285,653
	$ 142,743,679	$ 151,821,409

Bonds subject to early or unscheduled prepayments have been included above based upon their contractual maturity dates. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Proceeds from sales of investments on debt securities and the gross realized gains and losses on those sales for the years ended December 31, 2011 and 2010 are summarized as follows:

	2011		
	Proceeds From Sales	Gross Realized Gains	Gross Realized Losses
Bonds	$ 8,555,297	$ 146,075	$ (139,054)
Stocks			
	$ 8,555,297	$ 146,075	$ (139,054)

	2010		
	Proceeds From Sales	Gross Realized Gains	Gross Realized Losses
Bonds	$ 3,288,733	$ 20,465	$ (415)
Stocks	-	-	-
	$ 3,288,733	$ 20,465	$ (415)

At December 31, 2011, the Company owned securities that were in an unrealized loss position that management determined was other than temporary and given current market conditions would not recover. The Company recorded an impairment of $55,618 in 2010 primarily in the banking and finance sector.

The fair value and gross unrealized loss of investment securities and the amount of time the security has been in an unrealized loss position as of December 31, 2011 is as follows:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Bonds (NAIC 1-2)	$ 6,452,806	$ (139,109)	$ 1,610,305	$ (153,739)	$ 8,063,111	$ (292,848)
Bonds (NAIC 3-6)					-	-
Common stocks	352,485	(15,752)	-	-	352,485	(15,752)
Preferred stocks					-	-
	$ 6,805,291	$ (154,861)	$ 1,610,305	$ (153,739)	$ 8,415,596	$ (308,600)

Unrealized losses on investment grade securities (NAIC 1-2) principally relate to changes in interest rates.

The major categories of net investment income for the years ended December 31, 2011 and 2010 are summarized as follows:

	2011	2010
Bonds	$ 5,167,368	$ 4,937,642
Preferred stock and common	261,584	200,834
Cash and short-term investments	18,469	13,199
Other investment income	3,325	7,594
Total investment income	5,450,746	5,159,269
Less: Investment expenses	(567,168)	(562,095)
Net investment income	$ 4,883,578	$ 4,597,174

11. Fair Value of Financial Instruments

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

Valuation techniques used to derive fair value of investment securities are based on observable or unobservable inputs. Observable inputs reflect market data obtained from independent resources such as active markets or nationally recognized pricing services. Unobservable inputs reflect comparable securities or valuations received from various broker or dealer quotes.

At December 31, 2011 and 2010, fair value measurements on a recurring basis for investment securities were as follows:

2011	Quoted Prices in Active Markets	Significant Other Observable Inputs	Significant Un-Observable Inputs	Total
Cash, cash equivalents and short-term investments	$ 13,554,439	$ -	$ -	$ 13,554,439
Bonds (industrial and miscellaneous)	-	-	-	-
Common stocks	4,155,352	-	-	4,155,352
Total fair value	$ 17,709,791	$ -	$ -	$ 17,709,791

2010	Quoted Prices in Active Markets	Significant Other Observable Inputs	Significant Un-Observable Inputs	Total
Cash, cash equivalents and short-term investments	$ 8,609,802	$ -	$ -	$ 8,609,802
Bonds (industrial and miscellaneous)	-	124,611	-	124,611
Common stocks	4,219,912	-	-	4,219,912
Total fair value	$ 12,829,714	$ 124,611	$ -	$ 12,954,325

There are no Level 3 fair value assets which were transferred in or out during 2011.

Transfers to and from Level 3 would be recognized when a purchase, sale or settlement increases or decrease an asset previously valued as a Level 3 or when an investment is purchased which is carried at fair market value and does not have an observable input for valuation. There were no level 3 fair value assets during 2011 or 2010. The Company has not derivative assets or liabilities or assets carried at fair value on a nonrecurring basis.

12. Employee Benefit Plans

The Company has adopted a qualified defined contribution pension, 401(k) and profit sharing plan (the Plan) covering substantially all full-time employees who meet the Plans' eligibility requirements. If approved by the Board of Directors, the pension component of the defined contribution plan is determined to be 3-6% of the covered employees' annual eligible compensation. Employees become eligible to participate upon completion of three months of service and are fully vested in the plan after three years of service. The Company incurred approximately $99,700 and $73,400 in 2011 and 2010, respectively for the pension related portion of the Plan.

The 401(k) and profit sharing portion of the Plan provides for a tax deferred profit sharing contribution by the Company and an employee elective contribution with a matching provision. In 2011 and 2010, with respect to the 401(k) component of the Plan, the Company will contribute an amount up to 100% of the employees’ 401(k) contributions to a maximum of 5% of an employees’ annual compensation. An employee’s contribution may not exceed 60% of their annual salary or the maximum amount allowed as determined by the Internal Revenue Code. The Company's contributions become fully vested after five years. The Company incurred approximately $62,200 and $60,000 of expense related to the 401(k) component of the Plan in 2011 and 2010, respectively. With respect to the profit sharing component of the Plan, each eligible participant may receive a profit sharing contribution in an amount to be determined by the Board of Directors not to exceed 6% plus an additional allocation for employees earning in excess of the taxable wage base. The Company incurred approximately $98,600 and $75,100 of expense related to the profit sharing component of the Plan in 2011 and 2010, respectively.

The Company sponsors a non-qualified, deferred compensation plan (the Compensation Plan) and trust for certain key executives providing for payments upon retirement, death or disability. The Compensation Plan permits eligible officers to defer a portion of their compensation. The Compensation Plan provides that, in the event of liquidation of the Company, all assets of the Compensation Plan will be available to meet the obligations of the Company. There were no key persons participating in the Compensation Plan as of December 31, 2011 or 2010.

The Company also maintains an Incentive Compensation Plan (the ICP) for certain members of senior management. Under the terms of the ICP, participants are awarded "surplus shares" at the discretion of the Executive Committee of the Board of Directors. Four classes of surplus shares have been awarded under the ICP. Shares become fully vested over a 10 year period or a shorter period, under certain conditions. There were no key persons participating in the ICP as of December 31, 2011 or 2010.

A Long Term Incentive Plan (LTIP) was established by the Compensation Committee of the Board of Directors (the Committee) effective January 1, 2007 for certain members of management and highly compensated individuals (participants). Participants are granted a fixed dollar base award (the Award) contingent upon the anticipated growth of imputed surplus. The final earned amount of the Award is based on the actual growth levels of imputed surplus and is calculated upon imputed surplus as compared to Target, Threshold and Maximum Growth levels for an applicable performance period, generally three years. The actual earned amount of the Award can range from Zero to 150% of the fixed dollar base Award. Participants vest in the plan over three years, or a shorter period, under certain established conditions. There were no key persons participating in the LTIP as of December 31, 2011 or 2010.

13. Commitment and Contingent Liabilities

The Company leases office space and various office equipment and vehicles under lease arrangements through 2014. Future minimum lease payments under operating leases at December 31, 2011 are as follows:

2012	384,257
2013	79,494
2014	17,402
Total future minimum lease payments	$ 481,153

Total rent and lease expense was $365,196 and $351,513 for the years ended December 31, 2011 and 2010, respectively.

The Company is involved in litigation with respect to claims arising in the ordinary course of business, which is taken into account in establishing loss and loss adjustment expense reserves. The Company periodically reviews its overall loss and loss adjustment expense reserve position as well as its provision for reinsurance. The Company's management believes the resolution of such litigation is not expected to have a material adverse effect on the financial position or the operating results of the Company.

The Company served as a member of the Board of Governors of the National Workers' Compensation Reinsurance Pool (Pool). In March 2008 a legal dispute arose between the National Council on Compensation Insurance (NCCI), serving as attorney-in-fact for the Pool, and American International Group, Inc., et. al. (AIG). The dispute involved alleged underreporting of workers' compensation premium by AIG to avoid participation in residual markets AIG, in turn, filed its own action against all other insurance companies, including the Company, one of many Third-Party Defendants, alleging similar or identical conduct. The original complaint filed by AIG was dismissed, however an amended complaint filed October 16, 2009 by AIG asserts breach of fiduciary duty against the same Third-Party Defendants. On February 14, 2011 AIG filed its Agreed Motion for Voluntary Dismissal, which requests the court to dismiss with prejudice its claims against of the Third-Party Defendants, including the Company. The order of dismissal was entered on March 10, 2011 resulting in the dismissal with prejudice of the claims asserted against each of the Third-Party Defendants, including the Company.

The Company is subject to guaranty fund and other assessments by the states in which the Company writes business. The Company accrued a liability for guaranty fund and other assessments of approximately $4,735,996 and $3,185,133 as of December 31, 2011 and 2010, respectively. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the Company's share of the ultimate cost of insolvencies.

14. Related Party Transactions

The Company is related through its parent company to an insurance services subsidiary, MEMIC Services, Inc. The Company paid the affiliate, MEMIC Services, Inc. $1,742,942 and $1,560,124 for loss control, managed care and other services provided to the Company during 2011 and 2010, respectively.

The Company is 100% owned by Maine Employers' Mutual Insurance Company (MEMIC). MEMIC charges the Company management and other fees in the normal course of business and in accordance with the terms of certain cost sharing agreements. The Company was charged approximately $1,886,577 and $1,986,285 for underwriting, claim and investment management fees, and received $81,945 and $100,533 for those services that were provided to MEMIC by the Company during 2011 and 2010, respectively. MEMIC provided an additional capital contribution of $8,000,000 during 2011.

At December 31, 2011 and 2010, the Company reported $472,739 and $1,363,651, respectively, in amounts due to its parent MEMIC. The amounts are settled periodically in accordance with the terms of certain cost sharing agreements.

15. Surplus Notes

Date Issued	Interest Rate	Par Value (Face Amount of Notes)	Carrying Value of Note	Principal and/or Interest Paid Current Year	Total Principal and/or Interest Paid	Unapproved Principal and/or Interest	Date of Maturity
4/30/04	LIBOR + 4%	$ 6,000,000	$ 6,000,000	$ 260,742	$ 3,104,722	$ 34,138	4/29/2034

The surplus note of $6,000,000 in the table above was issued pursuant to Rule 144A under the Securities Act of 1933, underwritten by Dekania Capital Management II, and administered by JP Morgan/Chase as trustee.

Interest accrues at a floating rate of 3 month LIBOR plus 4%. Interest payments are due quarterly in arrears on February 15, May 15, August 15 and November 15. Each payment of interest on and principal of the surplus note may be made only with the prior approval of the Commissioner of Insurance of the State of New Hampshire and only to the extent the Company has sufficient surplus earnings to make such payment.

The Company may, at its option, redeem the note in whole at any time or in part from time to time at a redemption price of 100%. As of December 31, 2011 the note has not been redeemed.

The surplus note is subordinated to all senior obligations, including all existing and future debt and guarantees, and any expense or policy claims. The note will rank equally with any future surplus note or similar obligation of the Company.

16. Subprime Mortgage Related Risk Exposure

The Company considers its exposure to subprime mortgage risk based on the likelihood of future cash flows, unrealized losses, potential write-downs and the likelihood that an impairment is other than temporary. The Company regularly reviews the ratings of all subprime mortgage risk securities. Differentiation between changes in asset values due to unrealized losses or changes in asset values due to less than anticipated future cash flows are not necessary since the subprime holdings are not material to the overall portfolio. The Company does not rely on investing in subprime mortgages in its overall investment strategy. The Company mitigates its overall exposure with a predominately fixed income portfolio in other than subprime mortgage based securities.

The Company has the following exposure related to other investments with subprime exposure:

	Actual Cost	Book/Adjusted Carrying Value	Fair Value	Other than Temporary Impairment to Date
Residential Mortgage Backed Securities	$ 289,001	$ 265,739	$ 167,432	$ (110,022)
Commercial Mortgage Backed Securities	-	-	-	-
	$ 289,001	$ 265,739	$ 167,432	$ (110,022)

As of December 31, 2011 there were three subprime mortgage related securities with ratings between BBB and AAA. There were no other than temporary impairment write-downs of during 2011 on these subprime mortgage related securities.

The Company does not have any underwriting exposure to subprime mortgage risk through Mortgage Guaranty or Financial Insurance Guaranty coverage.

17. Loan Backed Securities

The Company has elected to use the prospective method of determining prepayment assumptions. Prepayment assumptions are derived primarily from projected cash flow information obtained from recognized external sources. Where projected cash flow information is not publicly available the information is obtained from external asset managers or by internal estimates. The Company uses IDC Corporation in determining the market value of its loan-backed securities. There have been no changes from the retrospective to the prospective adjustment methodology due to negative yield on specific securities.

The Company has no loan-backed securities that have a recognized other than temporary impairment (OTTI) where the Company either has the intent to sell; or do not have the ability or intent to retain the investment for a period of time to recover any unadjusted amortized cost basis.

The Company currently holds one security with a recognized OTTI where the present value of future cash flows expected to be collected is less than the amortized cost basis of the security.

CUSIP	Amortized Cost Before Other-Than-Temporary Impairment	Present Value of Projected Cash Flows	Other-Than-Temporary Impairment	Amortized Cost After Other-Than-Temporary Impairment	Fair Value at Time of Other-Than-Temporary Impairment	Date of Financial Statement Where Reported
41161UAE2	$ 502,385	$ 392,364	$ 110,022	$ 392,363	$ 308,492	12/31/2009
Total			$ 110,022			

The fair value and gross unrealized losses of non-agency RMBS investment securities and the amount of time the securities have been in an unrealized loss position as of December 31, 2011 are as follows:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Non-Agency RMBS	$ 207,776	$ (4,415)	$ 292,758	$ (38,523)	$ 500,533	$ (42,938)

The cumulative amount of credit losses on loan backed and structured securities still held as of December 31, 2011 is as follows:

		Period from January 1, 2011 December 31, 2011
Credit losses as of the beginning of the period	$	146,526
Credit losses for which an OTTI was not previously recognized		
Additional credit losses on securities for which an OTTI was previously recognized		
Reductions for securities sold during the period		(45,466)
Reductions for securities reclassified as intend-to-sell		
Credit losses as of December 31, 2011	$	101,060

The Company has no repurchase agreements and/or Securities Lending Transactions, no investments in real estate or low-income housing tax credits in the current year or prior year.

18. Subsequent Events

Subsequent events have been considered through March 30, 2012 for these statutory financial statements which are available to be issued March 30, 2012. There were no events occurring subsequent to the end of the year that merited recognition or disclosure in these financial statements.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in Annual Statement 3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total Amount (Col 3 + Col 4)	6 Percentage
1. Bonds:						
1.1 U.S. treasury securities	11,450,281	7.136	11,450,281		11,450,281	7.136
1.2 U.S. government agency obligations (excluding mortgage-backed securities):						
1.21 Issued by U.S. government agencies						
1.22 Issued by U.S. government sponsored agencies	3,706,002	2.310	3,706,002		3,706,002	2.310
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)						
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:						
1.41 States, territories and possessions general obligations	4,676,739	2.915	4,676,739		4,676,739	2.915
1.42 Political subdivisions of states, territories and possessions and political subdidivison general obligations	10,724,875	6.684	10,724,875		10,724,875	6.684
1.43 Revenue and assessment obligations	39,882,599	24.856	39,882,599		39,882,599	24.856
1.44 Industrial development and similar obligations						
1.5 Mortgage-backed securities (includes residential and commercial MBS):						
1.51 Pass-through securities:						
1.511 Issued or guaranteed by GNMA	926,316	0.577	926,316		926,316	0.577
1.512 Issued or guaranteed by FNMA and FHLMC	21,981,485	13.700	21,981,485		21,981,485	13.700
1.513 All other						
1.52 CMOs and REMICs:						
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	2,365,270	1.474	2,365,270		2,365,270	1.474
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521						
1.523 All other	4,588,793	2.860	4,588,793		4,588,793	2.860
2. Other debt and other fixed income securities (excluding short term):						
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	40,484,765	25.231	40,484,765		40,484,765	25.231
2.2 Unaffiliated non-U.S. securities (including Canada)	1,956,554	1.219	1,956,554		1,956,554	1.219
2.3 Affiliated securities						
3. Equity interests:						
3.1 Investments in mutual funds	4,155,352	2.590	4,155,352		4,155,352	2.590
3.2 Preferred stocks:						
3.21 Affiliated						
3.22 Unaffiliated						
3.3 Publically traded equity securities (excluding preferred stocks):						
3.31 Affiliated						
3.32 Unaffiliated						
3.4 Other equity securities:						
3.41 Affiliated						
3.42 Unaffiliated						
3.5 Other equity interests including tangible personal property under lease:						
3.51 Affiliated						
3.52 Unaffiliated						
4. Mortgage loans:						
4.1 Construction and land development						
4.2 Agricultural						
4.3 Single family residential properties						
4.4 Multifamily residential properties						
4.5 Commercial loans						
4.6 Mezzanine real estate loans						
5. Real estate investments:						
5.1 Property occupied by company						
5.2 Property held for production of income (including $ .... of property acquired in satisfaction of debt)						
5.3 Property held for sale (including $ .... property acquired in satisfaction of debt)						
6. Contract loans						
7. Derivatives						
8. Receivables for securities						
9. Securities Lending (Line 10, Asset page reinvested collateral)				XXX	XXX	XXX
10. Cash, cash equivalents and short-term investments	13,554,439	8.448	13,554,439		13,554,439	8.448
11. Other invested assets						
12. Total invested assets	160,453,470	100.000	160,453,470		160,453,470	100.000

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2011
To Be Filed by April 1

Of The MEMIC Indemnity Company
Address (City, State, Zip Code): Manchester, NH 03104
NAIC Group Code: 1332 NAIC Company Code: 11030 Employer's ID Number: 02-0515329

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U. S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 184,864,774

2. Ten largest exposures to a single issuer/borrower/investment.

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	New Jersey State	Bond	$ 2,094,771	.... 1.133 %
2.02	Lower Colorado River Trans Auth	Bond	$ 2,093,534	.... 1.132 %
2.03	Chicago IL Trans Authority	Bond	$ 2,035,532	.... 1.101 %
2.04	Tennessee Valley Authority	Bond	$ 1,778,801	.... 0.962 %
2.05	New York State Dorm Auth Rev	Bond	$ 1,658,867	.... 0.897 %
2.06	Lincoln MI Consol School Dist	Bond	$ 1,461,160	.... 0.790 %
2.07	Edinburg TX Consol Indep School	Bond	$ 1,385,741	.... 0.750 %
2.08	DBUBS Mortgage Trust	Bond	$ 1,284,120	.... 0.695 %
2.09	Louisiana State Gas & Fuels Tax	Bond	$ 1,150,386	.... 0.622 %
2.10	Plains All American Pipeline	Bond	$ 1,135,942	.... 0.614 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC-1	$ 136,633,862	.... 73.910 %	3.07	P/RP-1	$..................	..................%
3.02	NAIC-2	$ 12,984,638	.... 7.024 %	3.08	P/RP-2	$..................	..................%
3.03	NAIC-3	$..................	.... %	3.09	P/RP-3	$..................	..................%
3.04	NAIC-4	$..................	.... %	3.10	P/RP-4	$..................	..................%
3.05	NAIC-5	$..................	.... %	3.11	P/RP-5	$..................	..................%
3.06	NAIC-6	$..................	.... %	3.12	P/RP-6	$..................	..................%

4. Assets held in foreign investments:

(4.01) Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets?		Yes (X) No ( )
(4.02) Total admitted assets held in foreign investments.	$..................	..................%
(4.03) Foreign-currency- denominated investments.	$..................	..................%
(4.04) Insurance liabilities denominated in that same foreign currency.	$..................	..................%

If response, to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:

		1	2
5.01	Countries rated NAIC-1	$	..................%
5.02	Countries rated NAIC-2	$	..................%
5.03	Countries rated NAIC-3 or below	$	..................%

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign rating:

		1	2
	Countries rated NAIC - 1:		
6.01	Country 1:	$	..................%
6.02	Country 2:	$	..................%
	Countries rated NAIC - 2:		
6.03	Country 1:	$	..................%
6.04	Country 2:	$	..................%
	Countries rated NAIC - 3 or below:		
6.05	Country 1:	$	..................%
6.06	Country 2:	$	..................%

	1	2
7. Aggregate unhedged foreign currency exposure:	$	..................%

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign rating:

		1	2
8.01	Countries rated NAIC-1	$	..................%
8.02	Countries rated NAIC-2	$	..................%
8.03	Countries rated NAIC -3 or below	$	..................%

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign rating:

		1	2
	Countries rated NAIC - 1:		
9.01	Country 1:	$	..................%
9.02	Country 2:	$	..................%
	Countries rated NAIC - 2:		
9.03	Country 1:	$	..................%
9.04	Country 2:	$	..................%
	Countries rated NAIC - 3 or below:		
9.05	Country 1:	$	..................%
9.06	Country 2:	$	..................%

10. 10 largest non-sovereign (i.e. non-governmental) foreign issues:

1 Issuer	2 NAIC Rating	3 –	4 –
10.01	10.01	$	..................%
10.02	10.02	$	..................%
10.03	10.03	$	..................%
10.04	10.04	$	..................%
10.05	10.05	$	..................%
10.06	10.06	$	..................%
10.07	10.07	$	..................%
10.08	10.08	$	..................%
10.09	10.09	$	..................%
10.10	10.10	$	..................%

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ( )

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

11.02 Total admitted assets held in Canadian Investments	$	...................%
11.03 Canadian-currency-denominated investments	$	...................%
11.04 Canadian-denominated insurance liabilities	$	...................%
11.05 Unhedged Canadian currency exposure	$	...................%

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ( )

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

1	2	3
12.02 Aggregate statement value of investments with contractual sales restrictions	$	...................%
Largest 3 investments with contractual sales restrictions:		
12.03	$	...................%
12.04	$	...................%
12.05	$	...................%

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ( )

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

1 Name of Issuer	2	3
13.02	$	...................%
13.03	$	...................%
13.04	$	...................%
13.05	$	...................%
13.06	$	...................%
13.07	$	...................%
13.08	$	...................%
13.09	$	...................%
13.10	$	...................%
13.11	$	...................%

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ( )

If response to 14.01 is yes, responses are not required for the remainder of Interrogatory 14.

	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$	..................%
	Largest 3 investments held in nonaffiliated, privately placed equities:		
14.03	....	$	..................%
14.04	....	$	..................%
14.05	....	$	..................%

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ( )

If response to 15.01 is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02	Aggregate statement value of investments in general partnership interests.	$	..................%
	Largest 3 investments held in general partnership interests:		
15.03	....	$	..................%
15.04	....	$	..................%
15.05	....	$	..................%

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5 % of the reporting entity's total admitted assets? Yes (X) No ( )

If response to 16.01 is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02	....	$	..................%
16.03	....	$	..................%
16.04	....	$	..................%
16.05	....	$	..................%
16.06	....	$	..................%
16.07	....	$	..................%
16.08	....	$	..................%
16.09	....	$	..................%
16.10	....	$	..................%
16.11	....	$	..................%

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

		Loans	
		1	2
16.12	Construction loans	$...................	..................%
16.13	Mortgage loans over 90 days past due	$...................	..................%
16.14	Mortgage loans in the process of foreclosure	$...................	..................%
16.15	Mortgage loans foreclosed	$...................	..................%
16.16	Restructured mortgage loans	$...................	..................%

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

Loan-to-Value		Residential 1	2	Commercial 3	4	Agricultural 5	6
17.01	above 95%	$..................	.... %	$..................	.... %	$..................	..................%
17.02	91% to 95%	$..................	.... %	$..................	.... %	$..................	..................%
17.03	81% to 90%	$..................	.... %	$..................	.... %	$..................	..................%
17.04	71% to 80%	$..................	.... %	$..................	.... %	$..................	..................%
17.05	below 70%	$..................	.... %	$..................	.... %	$..................	..................%

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments real estate:

18.01 Are assets held in real estate reported in less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ( )

If response to 18.01 is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate.

	Description 1	2	3
18.02	....	$..................	..................%
18.03	....	$..................	..................%
18.04	....	$..................	..................%
18.05	....	$..................	..................%
18.06	....	$..................	..................%

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes (X) No ( )

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

1	2	3
19.02 Aggregate statement value of investments held in mezzanine real estate loans:	$..................	..................%

Largest three investments held in mezzanine real estate loans:

19.03	....	$..................	..................%
19.04	....	$..................	..................%
19.05	....	$..................	..................%

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

		At Year-end 1	2	At End of Each Quarter 1st Qtr 3	2nd Qtr 4	3rd Qtr 5
20.01	Securities lending agreements (do not include assets held as collateral for such transactions)	$..................	.... %	$..................	$..................	$..................
20.02	Repurchase agreements	$..................	.... %	$..................	$..................	$..................
20.03	Reverse repurchase agreements	$..................	.... %	$..................	$..................	$..................
20.04	Dollar repurchase agreements	$..................	.... %	$..................	$..................	$..................
20.05	Dollar reverse repurchase agreements	$..................	.... %	$..................	$..................	$..................

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned		Written	
	1	2	3	4
21.01 Hedging	$..................	.... %	$..................	.... %
21.02 Income generation	$..................	.... %	$..................	.... %
21.03 Other	$..................	.... %	$..................	.... %

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-end		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
22.01 Hedging	$..................	.... %	$..................	$..................	$..................
22.02 Income generation	$..................	.... %	$..................	$..................	$..................
22.03 Replications	$..................	.... %	$..................	$..................	$..................
22.04 Other	$..................	.... %	$..................	$..................	$..................

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year-end		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
23.01 Hedging	$..................	.... %	$..................	$..................	$..................
23.02 Income generation	$..................	.... %	$..................	$..................	$..................
23.03 Replications	$..................	.... %	$..................	$..................	$..................
23.04 Other	$..................	.... %	$..................	$..................	$..................