

2010 Annual Report



SECURITY

*“Highest in Customer Satisfaction
with the Auto Insurance Claims Experience,
Three Years in a Row”* -- J.D. Power and Associates

Auto-Owners Insurance ranks highest in the proprietary J.D. Power and Associates 2010 Auto Claims StudySM. Study based on 11,597 total responses, ranking 22 insurance providers. Excludes those with claims only for glass/windshield, theft/stolen, roadside assistance or bodily injury claims. Proprietary results based on experiences and perceptions of consumers surveyed May 2010 - June 2010. Your experiences may vary. Visit jdpower.com.

Auto-Owners Insurance

COMMENTS FROM J. F. Harrold, CEO, AUTO-OWNERS INSURANCE GROUP



should further comfort those we serve that their insurance investment with Auto-Owners and their independent agent is "Safe. Sound. Secure.®"

Our net property & casualty premium rose over \$200 million (4.8%), and our Life Company experienced exceptional revenue growth with total income exceeding \$400 million (a 68% increase), our highest year ever. Our policy count grew by over 230,000 policies and we are grateful for the support and confidence of agents and policyholders who place their trust in us. With capital and surplus now

I am pleased to report we continued our progress from 2009 and expanded upon it through 2010. Our results proved to be a positive light in a year of continued challenging economic performance. The results

exceeding \$6 billion, we are blessed with adequate financial support to deliver on all the promises we make and owe.

It is a privilege to serve over 6,300 independent agencies that tirelessly serve their communities and trust us with over 5 million of their customers' policies. We are grateful to the almost 3,800 associates at Auto-Owners who recognize our responsibility to serve these customers in the same manner in which they themselves would like to be served. We are thankful that such service helped us earn our third consecutive "Highest in Customer Satisfaction with the Auto Insurance Claims Experience" recognition in J.D. Power and Associates 2010 Auto Claims Satisfaction Study™. After all, confidence at time of loss is where insurance really matters.

Auto-Owners once again received the highest rating available (A++) from A.M. Best. This was our 18th consecutive year we have received that

rating out of the 18 years they have offered it. For the eighth straight year we have been listed among the Fortune 500, coming in at number 418 for 2010. And with the numbers identified throughout this report, you will know our conservative investment strategy means you need not worry about our financial consistency or integrity.

We pledge our complete and full support to the independent agency system. We believe insurance customers are best served by local agents who know their customers and their needs, and can assist them both in the coverages selected as well as at time of loss. We also thank all our associates who deliver on the promises of Auto-Owners, and live our core values to those we serve every day. Without you and your dedication, our story would be much different.

Jeffrey F. Harrold
Jeffrey F. Harrold, CEO

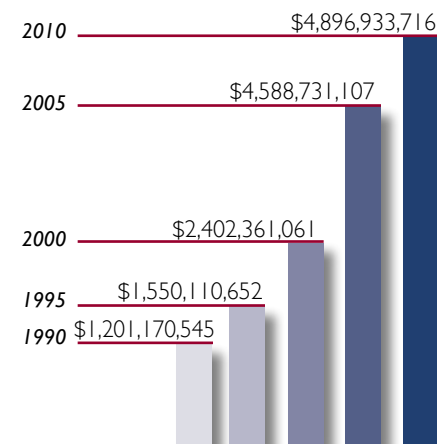
FINANCIAL REPORT

ASSETS	<i>Life Company</i>	<i>Property & Casualty Consolidated</i>
Cash and Short-Term Investments	\$ 42,900,696	\$ 44,460,393
Accounts Receivable		
Premiums in Process of Collection	1,442,330	742,316,743
Life Insurance Premium Deferred and Uncollected	31,450,817	
Bonds (Amortized Value)	2,197,607,923	9,339,951,174
Stocks (Statement Value)	83,104,749	2,053,746,347
Mortgages - Real Estate First Mortgages	196,739,328	59,533,461
Real Estate Owned	130,953,456	119,726,549
Miscellaneous Assets	51,446,360	471,293,970
Total Assets	\$2,735,645,659	\$12,831,028,637

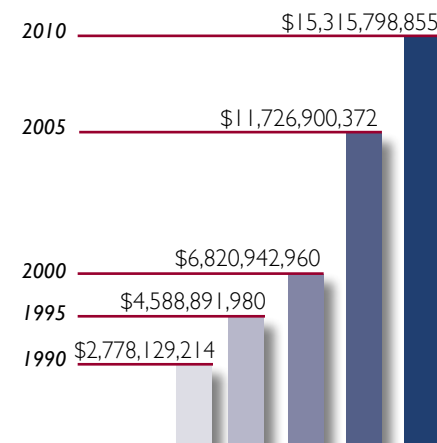
LIABILITIES		
Claim Reserves		
All Claims in Process of Adjustment	7,794,162	4,129,302,744
Aggregate Reserve for Life, Accident and Health Policies and Deposit Type Contracts	2,387,655,205	
Reserve for Unearned Premiums		2,094,439,076
Reserve for Miscellaneous Accounts and Taxes Payable	89,320,851	525,704,799
Total Liabilities	\$2,484,770,218	\$6,749,446,619

CAPITAL	\$ 3,450,000	
Contingency Reserve		
Excess of Assets over Liabilities. Provides policyholders additional assurance of the Companies' abilities to withstand catastrophic occurrences.	247,425,441	6,081,582,018
Total Liabilities and Surplus	\$2,735,645,659	\$ 12,831,028,637

NET WRITTEN PREMIUM (SALES)



COMBINED ASSETS



SUMMARY OF COMBINED ASSETS

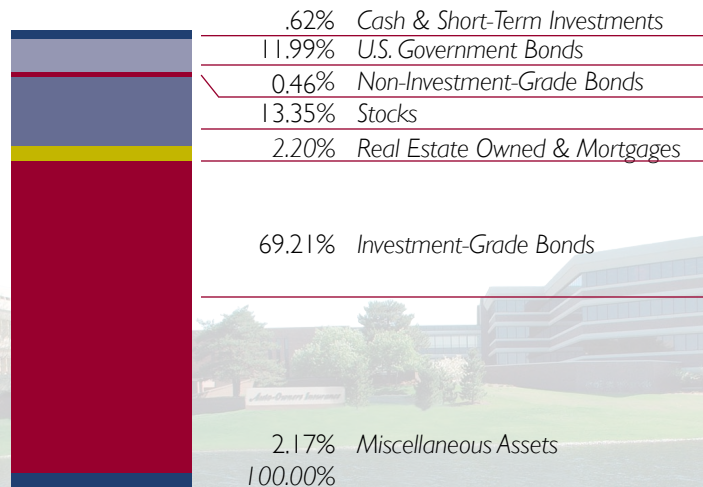
Auto-Owners is unwavering in its commitment toward maintaining a high-quality investment portfolio. We remain loyal to the proven investment principles that have guided us along a steady path throughout the years.

Depicted is a breakdown of the combined assets of the Auto-Owners Insurance Group as of December 31, 2010. The combination of U.S. Government bonds and investment-grade bonds represents 81.20 percent of assets. Non-investment-grade bonds represent only 0.46 percent of assets.

“Unfavorable events can strike at any time. Auto-Owners has remained strong during the economic struggles of the last few years. Our adherence to a Safe. Sound. Secure.® investment portfolio helps assure that when you need us the most, Auto-Owners will be there.”

*Comments from J. F. Harrold,
CEO, Auto-Owners Insurance Group*

Auto-Owners Insurance Group Combined Assets as of December 31, 2010



PROFIT & LOSS STATEMENT

REVENUE	Life Company	Property & Casualty Group
Net Premiums Written	\$ 411,491,282	\$ 4,485,442,434
Net Premiums Earned	411,491,282	4,384,596,863
Net Investment Income	113,514,053	457,862,058
Total Income Earned	\$ 525,005,335	\$ 4,842,458,921
EXPENSES		
Claims Related Expenses	462,193,134	3,340,629,868
Operating Expenses	39,648,233	1,213,818,429
Total Expenses	\$ 501,841,367	\$ 4,554,448,297
Net Income Before Income Taxes	23,163,968	288,010,624
Income Taxes	9,644,501	30,703,257
NET INCOME	\$ 13,519,467	\$ 257,307,367

Auto-Owners Companies Earn A.M. Best Superior Ratings

Auto-Owners property and casualty companies are rated A++ (Superior) by A.M. Best Company, a nationally recognized independent insurance company rating organization. Auto-Owners Life Insurance Company is rated A+ (Superior) by A.M. Best. According to A.M. Best Company, “The ratings reflect

Auto-Owners Insurance Group’s superior capitalization, trend of solid

operating earnings, experienced management team, broad array of commercial and personal product offerings, long-standing agency relationships, strong risk management techniques and well-established market position as one of the top 20 personal lines writers based on net premiums written.” In A.M. Best’s opinion, companies in the A++ and A+ classifications—their highest classifications—have a superior ability to meet ongoing obligations to policyholders. Auto-Owners Group has been rated A++ since 1992, and the Life Company has been rated A+ since 1976.

Auto-Owners Companies Earn Top Ratings from Weiss Ratings

Auto-Owners Insurance Company, Auto-Owners Life Company, Home-Owners Insurance Company, Owners Insurance Company and Property-Owners Insurance Company were each rated A Excellent by Weiss Ratings, Inc., and Southern-Owners Insurance Company was rated A- Excellent. According to Weiss, companies in these categories offer “excellent financial security.” Auto-Owners Insurance Company, Home-Owners Insurance Company, Owners Insurance Company and Property-Owners Insurance Company all earned “A” ratings and ranked among the top 15 companies in the nation for homeowners insurance, auto insurance and business insurance. Southern-Owners Insurance Company earned “A-” ratings in each of those categories. Auto-Owners Life Insurance Company also was ranked fifth and seventh, respectively, in the country for life and annuity insurance.



Auto-Owners Insurance’s Property Casualty Group Companies Earn Top Marks from Demotech, Inc.

Auto-Owners Insurance Company, Owners Insurance Company, Property-Owners Insurance Company, Home-Owners Insurance Company and Southern-Owners Insurance Company earned Demotech’s Financial Stability Rating® A’ (Unsurpassed) for 2010. The A’ rating recognizes unsurpassed financial stability, achieved by only the top companies evaluated. Demotech, Inc. is a financial analysis and actuarial services firm whose Statements of Actuarial Opinion meet or exceed the professional actuarial requirements established by the National Association of Insurance Commissioners.

Ward Financial Group Ranks Auto-Owners Among Its Top 50

Auto-Owners Insurance Group was named to the 2010 Ward’s 50 Benchmark Group for achieving outstanding financial results over the past five years (2005 - 2009). Auto-Owners is one of only five companies named to both the property & casualty and the life/health Ward’s 50 Benchmark Groups; and one of only five companies named to the property and casualty Ward’s 50 Benchmark Group for 20 consecutive years. The objectives of the analysis are to recognize the 50 companies that have *excelled* at balancing safety, consistency and performance over five years, and to then benchmark their performance with the industry overall.

Ward Financial Group is a Cincinnati-based management consulting and investment banking firm specializing in the insurance industry, and is recognized by *Fortune* magazine, the *New York Times*, *Reuters* news service and others as an authoritative source for insurance industry financial analysis.



Auto-Owners Life Insurance Company Offers Life Products on A-O Web EZ®

Auto-Owners Life Insurance Company added Simplified Issue Whole Life and Simplified Issue Children’s Advantage Plan *Plus*® products to the A-O Web EZ® rating system. The Web EZ system allows agents to design proposals, complete applications and electronically submit the applications to Auto-Owners. Several Auto-Owners Life Insurance Company products are available on A-O Web EZ®, making it even easier to write business with Auto-Owners Life Insurance Company.

New Facilities to be Completed in 2011

New Offices

Auto-Owners Insurance Group will open three new branch offices in 2011: Kennesaw, Georgia; Little Rock, Arkansas; and Madison, Wisconsin. The Little Rock office will house underwriting and claims operations, while the Kennesaw and Madison offices will be claims only.

New Construction to be Completed

Three new offices will be completed in 2011, with two replacing existing branch offices: Broomfield, Colorado (replacing the office in Westminster, Colorado); and Columbia, Missouri. A new backup data center office will be completed in Traverse City, Michigan.

Auto-Owners Insurance Group enjoyed impressive premium growth in 2010 and continues to be recognized for exceptional financial strength and stability among the nation's largest insurers. Comprised of five property and casualty companies and one life/health/annuity insurer, the Group had combined assets of \$15,315,798,855 at year-end 2010. Net written premiums totaled \$4,896,933,716, up \$371 million from the previous year. More than 4.7 million personal and commercial insurance policies were in force at year-end. Eighty underwriting, claims and marketing offices serve customers in the Group's 26-state marketing territories.

Auto-Owners Insurance Company (established 1916) is represented by approximately 37,500 agents in more than 6,300 agencies, and is the Group's largest insurer. This mutual insurance company ranks among the leading property and casualty insurers in the United States with recorded net written premiums of over \$2,120,597,337 at the end of 2010, an increase of 0.3 percent over the previous year.

Auto-Owners Life Insurance Company (established 1966) experienced another record year; applications received exceeded 55,600. The Company recorded over \$27 billion of life insurance in force at year-end, an increase of 8.3 percent over the previous year. In addition, annuity and guaranteed investment contract reserves for this stock company increased 23.0 percent to \$1.78 billion. Assets were up 17.0 percent to \$2.7 billion and total Life Company written premium was \$411.5 million, a 68.2 percent increase from 2009.

Owners Insurance Company (established 1975) recorded another strong year with written premiums of \$1.4 billion at year-end 2010, a 10.6 percent increase over 2009. This stock company is the second largest property and casualty insurer in the Auto-Owners Insurance Group and operates in 25 of the 26 states that make up the Auto-Owners regional market.

Home-Owners Insurance Company (established 1973) had another fine year with written premiums of \$988.4 million at year-end 2010, a 6.6 percent increase over 2009. This property and casualty stock company writes business in Michigan and Ohio.

Property-Owners Insurance Company (established 1976) recorded written premiums of \$75.2 million in 2010, an increase of 6.2 percent over the previous year. This stock insurer writes property and casualty products in Indiana and Michigan.

Southern-Owners Insurance Company (established 1995) completed its 16th year of operation in 2010, with written premiums of \$189.3 million at year-end, an increase of 15.3 percent over 2009. This stock insurer writes property and casualty products in Florida.

**AUTO-OWNERS
INSURANCE COMPANY**
Lansing, Michigan

**PROPERTY-OWNERS
INSURANCE COMPANY**
Marion, Indiana

**HOME-OWNERS
INSURANCE COMPANY**
Lansing, Michigan

**OWNERS
INSURANCE COMPANY**
Lima, Ohio

**AUTO-OWNERS LIFE
INSURANCE COMPANY**
Lansing, Michigan

**SOUTHERN-OWNERS
INSURANCE COMPANY**
Lansing, Michigan

Administrative offices of all companies are located at
6101 Anacapri Blvd., Lansing, MI 48917

Auto-Owners Insurance

Life Home Car Business

The "No Problem" People®