

EMBRACING THE FUTURE

"If one advances confidently in the direction of his dreams, and endeavors to live the life which he has imagined, he will meet with success unexpected in common hours."—Henry David Thoreau



PRODUCTS



SERVICE



TECHNOLOGY



MARKETING



EMBRACING THE FUTURE



PRODUCTS

We deliver innovative products and services designed to meet the diverse and evolving insurance needs of consumers.

Infinity Property and Casualty Corporation is a leading provider of specialized automobile insurance programs with a focus on serving the urban, Hispanic and uninsured markets. We deliver innovative products and services designed to meet the diverse and evolving insurance needs of consumers.

We recognize that people have different lifestyles, needs and financial resources; so through our MyChoice™ personal auto program we offer custom personal auto insurance products rather than the “one size fits all” product offered by most competitors. We also understand that price is very important when purchasing insurance. We can offer more affordable insurance because of a low cost structure that rests on a foundation of operational efficiency built with the cost conscious customer in mind.

Our unique product offerings provide the widest possible array of features and pricing options, including new services like our DriverClub® free membership for roadside assistance. No other company can match Infinity’s state-of-the-art multi-product approach with buy-up or buy-down options and the flexibility to match each customer’s lifestyle and budget needs.

We offer our products through a network of over 13,000 independent agents and brokers with over 17,500 locations, as well as direct to consumers via the internet. In addition to personal auto products, we offer coverage for commercial vehicles and classic automobiles.



EMBRACING THE FUTURE

≡ SERVICE

We provide fast, convenient and courteous service to our customers, claimants and agents.

At Infinity, it is our mission to provide fast, convenient and courteous service to our customers, claimants and agents. Each of our customers is unique and has different needs when it comes to their personal automobile insurance. We offer a variety of flexible down payment and installment options and, unlike other companies, we offer our customers a range of custom automobile insurance options to fit their individual needs. Beyond offering our customers compelling products and competitive pricing, we strive to support our customers after the sale. One-third of our customer service employees are bilingual in English and Spanish, allowing us to serve our customers in their preferred language. Also, in 2012, we opened a new call center in Tucson, Arizona, which will further improve our ability to serve our customers.

We strive for accuracy, consistency and fairness in our claim resolutions. Our claims organization employs approximately 1,200 people, has 22 field locations and provides a 24-hour, seven days per week toll-free service. We predominantly use our own local adjusters and appraisers,

who typically respond to claims within 24 hours of a report. We are committed to the field handling of claims in urban zones and we believe that it provides better service to our customers and better control of the claim resolution process.

We view our independent agents as long-term business partners and are dedicated to providing them with more than just great products and competitive commissions. We support our agents by investing in their productivity, lead generation and training. We make it easy for agents to do business with Infinity by introducing innovations like proprietary data pre-fill matching algorithms. We also foster agent relationships by providing them with access to our web-based software applications along with programs and services designed to strengthen and expand their marketing, sales and service capabilities. Our web-based software applications provide many of our agents with real-time underwriting, claims and policy information.



EMBRACING THE FUTURE



TECHNOLOGY

We understand that today's consumers seek on-demand service from insurance companies.

Responding to higher customer expectations, we recently introduced our mobile app, which makes it easier for our customers to find their nearest agent or repair shop from their mobile device, and a new online environment for policyholders to manage their policies. We have also made improvements to our online quoting interface to make the process of buying insurance easier.

In 2012, we began offering e-signature technology to our agents, which allows them to complete the application process without paper. We also implemented customer data pre-fill at the time of quote. In addition to allowing agents and direct customers to complete a quote with a minimal number of keystrokes, data pre-fill provides much greater insight into the structure of a household, which results in a more accurate rate early in the customer experience.

We also equip our claims adjusters and appraisers with the latest technology, allowing them to efficiently complete their evaluation and provide resolution to our policyholders and third-party claimants in a fast and fair manner. Using SPSS predictive analytics, we "score" claims in much the same way that lenders score credit, allowing us to deploy the personnel with the required expertise to evaluate the loss and accelerate the claim payment process. We also use the underlying intelligence to identify potential fraud. This tool results in lower adjustment costs, a more streamlined claim handling process and ultimately a more satisfied customer.



EMBRACING THE FUTURE



MARKETING

Our marketing efforts create value for our customers by responding to their unique needs.

We understand that customers are more price sensitive than ever. With this in mind, we introduced our MyChoice™ auto programs, which present today's policyholder with the highest level of coverage customization offered in the marketplace. Finding the appropriate coverage is the key in determining the best price—a price that reflects the right cost-benefit for a given consumer. We take great pride in our long history of allowing consumers to customize an auto policy that truly reflects their unique coverage needs.

We deliver value to our customers through a true multi-channel distribution and service platform. Independent agents are the primary sales distributors and service contact for Infinity policyholders. Over the last several years, we have supplemented our agents with a state-of-the-art sales call center, along with a website that offers

research, quote, sales and service. Infinity has built infrastructure that responds to consumers' preferred "touch points" for inquiry, policy and product information, price, payment and billing, customer and claims services. We believe these touch points exert the most influence on consumer preference and ultimately the policy lifetime value of the relationship.

We direct our advertising efforts to markets with the most potential for profitable growth—key urban areas and their growing Hispanic populations. This specialized effort allows us to achieve results usually afforded to much larger companies. For example, in the Hispanic population centers of Los Angeles, Miami, Houston and Phoenix, Infinity brand awareness has increased by an average of 22 percentage points over the past 6 years.

FLORIDA CASE STUDY

Taking what we have learned over the last five years and building on our successes will allow us to continue to grow profitably in Florida.

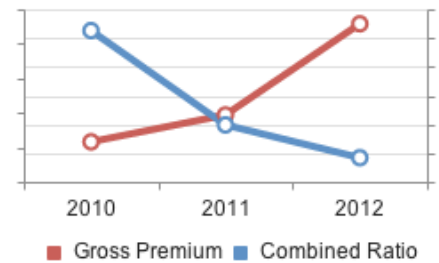
In mid-2007, we entered the Miami market since it fit our niche strategy, a tough urban market with a large Hispanic population. However, we made some mistakes initially. We entered the market ahead of having our field claims offices in place, which did not allow us to fight the fraud that is prevalent in that urban zone as effectively as we could have. So we pulled back, taking 15 points of rate in Florida during 2008, which resulted in overall declines in premium in the state during 2008 and 2009.

In 2010, having quickly learned what we needed to do differently, we returned to the state aggressively. We were aggressive in terms of having our field claims staff in place ahead of the growth and we were more knowledgeable about the local players in the fraud rings and more diligent in the management of our agency plant. We were also aggressive with rate actions—taking nearly 15 points of rate in that year alone and aggressive in terms of taking advantage of market opportunities—growing substantially in 2010.

We have continued to take advantage of the hard market in Florida since 2010. We have stayed ahead of loss cost trends by taking additional rate increases of six and 11 points in 2011 and 2012, respectively. Florida was also the first state in which we introduced our new pricing methodology that allows us to more accurately price while giving consumers additional choices.

Our gross written premium in the last three years has increased at a compound annual growth rate of nearly 47% while at the same time our combined ratio has decreased from over 110% to a level that is more than adequate to meet our return objectives. Taking what we have learned over the last five years and building on our successes will allow us to continue to grow profitably in Florida.

Gross Premium and Combined Ratio in Florida



CALIFORNIA CASE STUDY

California has been a success story for us over the last 20+ years.

In the insurance industry, you must execute in three key areas of the business in order to be successful. You must price your products accurately, you must manage your claims effectively and you must operate efficiently with a low expense ratio.

There are several critical factors as to why California has been such a success story for us over the last 20+ years.

“Over the last ten years, our premium has grown at a compound annual growth rate of 4.8% and our combined ratio has outperformed the industry by approximately seven points.”

Urban Zone Focus:

We concentrated our efforts, focusing on the more densely populated areas such as Los Angeles. This concentration allows us to build a credible book of business and accurately price our customers. We also believe the concentration of business allows us to manage claims more effectively. We are able to support a field claim staff, which provides better customer service and at the same time allows us to more efficiently identify and handle fraudulent claims.

Underserved Markets:

Another component to our success in California is our niche focus on underserved markets such as inner city, uninsured and Hispanic drivers. Over the years we have delivered innovative products and services designed to meet the diverse and evolving insurance needs of our customers ranging from our Low Cost product that would satisfy the needs of the uninsured to our Premier product, which offers the broader coverage second-generation Hispanics desire.

Tenure of Staff:

A consistent and tenured staff has also been a driving force behind our success in California. From product and pricing to claims, having a staff that has well developed knowledge of the state, competitors, local agents and brokers and the insurance regulators provides the company with competitive advantages.

Our overall results in California have been stellar. Over the last ten years, our premium has grown at a compound annual growth rate of 4.8% and our combined ratio has outperformed the industry by approximately seven points. We will continue to build on our success in California and use the knowledge to build successes in other geographic areas.

TO OUR SHAREHOLDERS,

It is my pleasure to welcome you to
Infinity's 2012 Annual Report.

2012 in Review

As I have said many times in years past, we remain committed to building long-term value for our shareholders. We can do so if we continue to grow our business profitably over the long-term by offering our customers value-added products at affordable prices. In 2012, we were successful at increasing our premiums 15.9%—the third consecutive year of double-digit growth. Much of this growth came from our two largest and most profitable states, California and Florida. These two states, along with our historically profitable Commercial Vehicle program, accounted for 78% of our total premium volume for 2012 and generated an accident year combined ratio of 95%.

I was especially proud of our performance in Florida, which has an amazing success story. Four years ago we struggled in the state with a combined ratio in excess of 100%. Over the past three years in the Sunshine State we averaged annual premium growth of 47% while generating solid underwriting profits. These superior results were achieved during very challenging and unstable market conditions in the state. Our success can be attributed to a mix of near-perfect execution and hard work on the part of people in pricing and product management, marketing and claims staffing, and the collaboration with our partner independent agents to offer competitively priced products.

Our business in California had another successful year, with solid growth and profitability. For more than ten years our California business has outperformed the industry in terms of growth and profitability. If Florida gets the “comeback kid” award, California gets the “lifetime achievement” award.

Other successes in 2012 included the expansion to all seven Focus States of our new interactive website. This website enables customers to receive a quote and bind coverage online, without the aid of an agent or customer service representative. Now the customer who seeks to buy auto insurance can choose to use an independent agent, our sales center or this new option.

We were also very pleased to refinance our long-term debt at a 5% coupon rate, and to further reduce the GAAP underwriting expense ratio to 21.1%—a full 1.6 points lower than that of a year ago. The former helps us lower our cost of capital and the latter allows us to improve our returns and price our business more competitively. Finally, consistent with our commitment to increasing long-term shareholder value,



James R. Gober

Chairman, Chief Executive Officer
and President

we took very positive steps by increasing common stock dividends by 33% in February 2013 and repurchasing \$17.5 million of our shares this past year.

My two disappointments in 2012 were our performance in our other five Focus States along with unfavorable reserve development on prior accident years. While our business in these states represented only 18% of our total premium volume, they collectively generated an accident year combined ratio of an unacceptable 109%. This contributed to an overall accident year combined ratio for the company above our target for the year. The unfavorable reserve development further diminished the level of returns for our shareholders. To address the underperforming portions of our business, we have taken sizeable rate increases and stand committed and prepared to take further underwriting actions as we deem necessary to return each of these states to profitability.

Overall, we had mixed success in 2012. We must do better in 2013.

A Long Look Back

February 2013 marked the tenth anniversary of Infinity as a public company. Much has happened in those ten years. We transformed ourselves from a generalist non-standard auto insurance company with writings in over 40 states to a more focused auto insurer targeting 20 urban markets within seven states, each selected based on the considerable opportunities they afford us to meet the unique needs of Hispanic and urban consumers. These needs have called for the establishment of state-of-the-art call centers, bilingual customer service, marketing and claims personnel and conveniently located drive-in service centers. A meaningful presence in seven states has also given us more credibility in our pricing and the ability to deliver more targeted advertising. Most importantly, this refined strategy has yielded outstanding financial results. We have outperformed the industry average in both premium growth and underwriting profitability for the past 10 years. Book value increased on average 11% per year while our return on equity averaged 11%, an outstanding result given the continued softening insurance market and decreasing market investment returns. And over that time shareholders were handsomely rewarded with dividend increases at a compound average annual growth rate of over 18%. We also managed to return more than \$400 million to shareholders through share repurchases and the share price increased by a compound average annual rate of almost 14%.

I am confident that we can return to the days of double-digit returns.

Embracing the Future

But we can do so only if we do things differently. Toward that end, I am fond of a quote I read that was attributable to Saint Augustine:

“If you would attain to what you are not yet, you must always be displeased by what you are. For where you are pleased with yourself there you have remained. Keep adding, keep walking, keep advancing.”

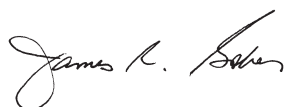
While we have had a very successful ten years, we are not at all satisfied about where we are now. Last year was a wake-up call for the company, such that we cannot rest on our past accomplishments to achieve success today or in the future. If we are to continue our success as a company, it is imperative that we leverage our strengths, address our weaknesses and take advantage of arising opportunities.

It always starts with the customer. We must continue to provide value-added products and services to our target customers. In 2013, we plan to do just that. This includes establishing yet another bilingual center, this one in Tucson, which will allow us to better serve our urban and Hispanic policyholders on the West Coast. We also plan to offer to our policyholders paperless options for billing and collection, document retrieval, and online claims reports. These and other self-service options place the customer in control so that they can get their questions answered 24/7 while reducing the costs of services provided. Near term plans also envision an expansion of our direct marketing capabilities by offering mobile apps through which customers may buy insurance, as well as building a state-of-the-art, fully integrated customer relationship management/call management and call recording system for our direct business.

To improve our profitability we plan to take several actions. First, we will continue to seek rate adequacy in all of our product lines. To aid in attainment of this we plan to improve our pricing prowess by bolstering data mining and predictive analytics capabilities. Secondly, we will continue to seek to reduce our expense ratio through business process improvement initiatives, including exploitation of new technology, as well as improving the efficiency of our marketing and advertising spend.

Through these and other actions we can position ourselves to take advantage of emerging opportunities that include an increasing demand for insurance products from a burgeoning Hispanic population. However, in order to do so we must “keep adding, keep walking, keep advancing.” We pledge to do just that.

Finally, on behalf of our over 2000 employees, I want to thank you for your continued support.

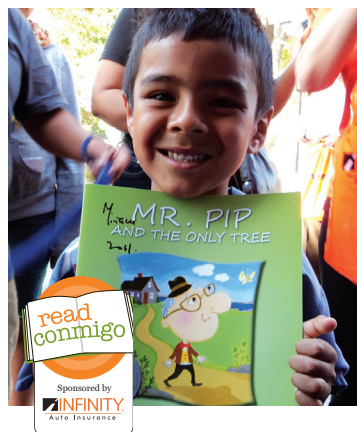


James R. Gober

Chairman, Chief Executive Officer and President

CORPORATE SOCIAL RESPONSIBILITY

We believe in supporting the communities we serve.



Read Connmigo

In 2012, we distributed over 300,000 books as part of Read Connmigo, our one-of-a-kind, parent-focused bilingual literacy program. The goal of Read Connmigo is to help disadvantaged children realize the educational and financial advantages of being bilingual in today's modern society. The program has garnered broad support from education and research organizations, teacher groups, government and community leaders.

Read Connmigo

An excited youngster who signed up for a free subscription to Read Connmigo at the Los Angeles Festival of Books.

Independent Agent Philanthropies

In addition to Read Connmigo, we regularly support independent agent philanthropies and respond to urgent local needs such as natural disasters. In 2012, we contributed over \$1.5 million to the Step Up For Students program, which provides scholarships to low-income Florida schoolchildren so that they can receive equal educational opportunity. At Infinity, giving back is part of our culture.

Step Up For Students

With this \$1.5 million contribution, Step Up For Students was able to fund 336 scholarships.



We Care

We go beyond protecting our customers' well-being and automobiles. We protect their environment. Through the company's "We Care" program, paper, toner cartridges, cell phones, data tape cartridges, aluminum and plastic are all recycled. In addition, we were the first automobile insurance company to have a climate neutral fleet. In each year since 2007, we have purchased carbon offsets equal to the amount of greenhouse gas emissions from the 480 vehicles in our fleet. Our employees also do their part to conserve resources and improve air quality by participating in ride matching, carpool and vanpool services, effectively reducing their commutes by 200,000 miles in 2012.

CORPORATE INFORMATION

Directors

James R. Gober⁽⁴⁾

Chairman, Chief Executive Officer
and President, IPCC
Director since November 2002

Teresa A. Canida⁽²⁾⁽⁵⁾

President, Taplin, Canida
& Habacht LLC
Director since May 2009

Jorge G. Castro⁽¹⁾⁽⁵⁾

Chief Executive Officer,
Lombardia Capital Partners
Director since August 2003

Harold E. Layman⁽¹⁾⁽³⁾

Retired President and
Chief Executive Officer,
Blount International Inc.
Director since August 2003

Drayton Nabers, Jr.⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁷⁾

Shareholder, Maynard, Cooper
and Gale, P.C.,
Former Chief Justice of
Alabama Supreme Court
Director since May 2007

Samuel J. Simon

Executive Vice President
and General Counsel, IPCC
Director since December 2003

Roger Smith

Executive Vice President,
Chief Financial Officer
and Treasurer, IPCC
Director since December 2003

William Stancil Starnes⁽¹⁾⁽²⁾⁽⁴⁾

Chairman and Chief Executive Officer,
ProAssurance Corporation
Director since May 2008

Samuel J. Weinhoff⁽²⁾⁽³⁾⁽⁴⁾⁽⁶⁾

Insurance Industry Consultant
Director since May 2004

- (1) Member of Compensation Committee
- (2) Member of Audit Committee
- (3) Member of Nominating/Governance Committee
- (4) Member of Executive Committee
- (5) Member of Investment Committee
- (6) Financial Expert
- (7) Lead Director

Management

James R. Gober

Chairman, Chief Executive Officer
and President

Glen N. Godwin

Senior Vice President,
Business Development

Scott C. Pitrone

Senior Vice President,
Product Management

Samuel J. Simon

Executive Vice President
and General Counsel

Roger Smith

Executive Vice President,
Chief Financial Officer and Treasurer

Corporate Headquarters

3700 Colonnade Pkwy
Suite 600
Birmingham, Alabama 35243
(205) 870-4000

Transfer Agent & Registrar

American Stock Transfer & Trust Company
(212) 936-5100

Auditors

Ernst & Young, LLP
Birmingham, Alabama

Legal Counsel

Keating Muething & Klekamp PLL
Cincinnati, Ohio

Annual Meeting

The Annual Meeting of the Shareholders of
Infinity Property & Casualty Corporation will be
held at The Westin Birmingham, 2221 Richard
Arrington Jr. Boulevard North, Birmingham,
Alabama 35203 on Tuesday, May 21, 2013 at
9:00 a.m. Central time. There were 55 share-
holders of record on February 15, 2013, which

the Company believes represent approxi-
mately 2,348 beneficial holders.

Common Stock and Dividends

The Company's common stock is listed on
the NASDAQ Global Select Market under the
symbol IPCC.

The quarterly high and low closing sales
prices per share of the common stock as
reported by NASDAQ follow:

Quarter Ended:	Stock Prices		Dividends Declared
	High	Low	
March 31, 2011	\$63.97	\$54.71	\$ 0.18
June 30, 2011	\$62.21	\$49.65	\$ 0.18
September 30, 2011	\$57.34	\$43.64	\$ 0.18
December 31, 2011	\$61.54	\$51.28	\$ 0.18
March 31, 2012	\$68.53	\$52.14	\$0.225
June 30, 2012	\$57.81	\$50.75	\$0.225
September 30, 2012	\$63.55	\$54.61	\$0.225
December 31, 2012	\$61.81	\$45.29	\$0.225

The Board of Directors declares quarterly
dividends at meetings held in February, May,
August and November.

Shareholder Communications

For access to all news releases and other
company information, visit the Infinity web-
site at www.infinityauto.com. To request an
investor package, please call (205) 803-8991
or write to:

Infinity Property & Casualty Corporation
Attn: Investor Relations
3700 Colonnade Pkwy
Suite 600
Birmingham, Alabama 35243

Form 10-K

A copy of the Company's Annual Report on
Form 10-K, as filed with the Securities and
Exchange Commission, may be obtained
without charge upon written request to the
Secretary of the Company at the address
listed above.

FINANCIAL HIGHLIGHTS

	2012	2011	2010	2009	2008
Gross Written Premium Growth	15.9%	13.6%	12.2%	(5.4%)	(12.0%)
GAAP Combined Ratio	100.7%	98.0%	89.7%	88.4%	92.4%
Net Earnings Per Diluted Share	\$ 2.04	\$ 3.37	\$ 6.91	\$ 5.12	\$ 1.26
Operating Earnings Per Diluted Share ⁽¹⁾	\$ 0.78	\$ 2.42	\$ 6.08	\$ 6.12	\$ 4.57
Return on Average Equity	3.7%	6.4%	14.4%	12.5%	3.6%
Operating Return on Average Equity ⁽¹⁾	1.4%	4.6%	12.6%	15.0%	12.9%
Book Value per Share	\$56.55	\$56.05	\$52.53	\$45.38	\$36.71
Cash Dividend per Common Share	\$ 0.90	\$ 0.72	\$ 0.56	\$ 0.48	\$ 0.44

⁽¹⁾Excludes after-tax realized gains (losses) on investments.