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PROPERTY AND CASUALTY COMPANIES - ASSOCIATION EDITION

ANNUAL STATEMENT

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

Nationwide Indemnity Company

NAIC Group Code 0140 (Current) 0140 (Prior) NAIC Company Code 10070 Employer's ID Number 31-1399201

Organized under the Laws of Ohio, State of Domicile or Port of Entry Ohio

Country of Domicile United States of America

Incorporated/Organized 02/16/1994 Commenced Business 04/15/1994

Statutory Home Office One West Nationwide Blvd. (Street and Number), Columbus , OH 43215-2220 (City or Town, State and Zip Code)

Main Administrative Office One West Nationwide Blvd. (Street and Number)
Columbus , OH 43215-2220 (City or Town, State and Zip Code), 614-249-7111 (Area Code) (Telephone Number)

Mail Address One West Nationwide Blvd., 1-04-701 (Street and Number or P.O. Box), Columbus , OH 43215-2220 (City or Town, State and Zip Code)

Primary Location of Books and Records One West Nationwide Blvd., 1-04-701 (Street and Number)
Columbus , OH 43215-2220 (City or Town, State and Zip Code), 614-249-1545 (Area Code) (Telephone Number)

Internet Website Address www.nationwide.com

Statutory Statement Contact Arlene E. Swanson (Name), 614-249-1545 (Area Code) (Telephone Number)
FinRpt@nationwide.com (E-mail Address), 866-315-1430 (FAX Number)

OFFICERS

President & COO	David Alan Bano	VP & Treasurer	Carol Lynn Dove
VP & Secretary	Robert William Horner III		

OTHER

Pamela Ann Biesecker Sr VP-Head of Taxation	Harry Hansen Hallowell Sr VP - CIO	Mark Raymond Thresher Exec VP - CFO

DIRECTORS OR TRUSTEES

David Alan Bano	James David Benson	Kevin Thomas Hilyard
Michael Patrick Leach	Duane Lee Meyer	Mark Raymond Thresher

State of Ohio
County of Franklin SS:

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

David Alan Bano	Robert William Horner, III	Carol Lynn Dove
President & COO	VP & Secretary	VP & Treasurer

Subscribed and sworn to before me this
day of January , 2012

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

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Accounting Practices

The accompanying statutory financial statements of Nationwide Indemnity Company (the Company) have been prepared in conformity with accounting practices prescribed or permitted by the National Association of Insurance Commissioners (NAIC) and the State of Ohio.

The Ohio Insurance Department recognizes only statutory accounting practices (SAP) prescribed or permitted by the State of Ohio for determining and reporting the financial condition and results of operations of an insurance company, as well as, determining its solvency under the Ohio Insurance law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Ohio.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policies

Federal Income Taxes. The Company's parent, Nationwide Mutual Insurance Company (Mutual), files a consolidated federal income tax return, which includes all eligible U.S. affiliates. In this regard, the included subsidiaries pay to Mutual the amount which would have been payable on a separate return basis without regard to the alternative minimum tax. Mutual pays tax due on a consolidated basis.

The Company provides for federal income taxes based on amounts the Company believes it will ultimately owe. Inherent in the provision for federal income taxes are estimates regarding the deductibility of certain expenses and the realization of certain tax credits. In the event the ultimate deductibility of certain expenses or the realization of certain tax credits differs from estimates, the Company may be required to change the provision for federal income taxes recorded in the financial statements which could be significant. Management has used best estimates to establish reserves based on current facts and circumstances regarding tax exposure items where the ultimate deductibility is open to interpretation.

In accordance with guidance specified in the NAIC SAP, the Company utilizes the asset and liability method of accounting for taxes. Under this method, deferred tax assets, net of any non-admitted portion, and deferred tax liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The change in deferred taxes is charged directly to surplus.

*Reinsurance Recoverables***.** In the normal course of business, the Company reinsures, or cedes, a portion of its insurance risks with other companies in order to reduce net liability on individual risks, to provide protection against the potential impact of large losses, and to obtain greater diversification of risks. The ceding of risk, however, does not discharge the Company from its primary obligation to the policyholder. Reinsurance recoverables include amounts billed to reinsurers on losses paid. Estimates of amounts expected to be recovered from reinsurers that have not yet been paid on unpaid losses are estimated in a manner consistent with the claim liability associated with the underlying policy and are recorded as reductions in total loss and loss adjustment expense (LAE) reserves. Such reinsurance recoverables and reserve reductions partially offset claim costs in the Company's statutory statements of operations and are included as an offset to losses and LAE's in the accompanying statutory statements of admitted assets, liabilities and surplus. The Company regularly evaluates and monitors the financial condition of its reinsurers under voluntary reinsurance arrangements to minimize its exposure to significant losses from reinsurer insolvencies. There are no contracts using deposit accounting as of December 31, 2011 and 2010.

Statutory accounting principles require recognition of a minimum liability for certain unsecured or overdue reinsurance recoverables (100% for unsecured unauthorized reinsurance and up to 20% recoverables from certain reinsurers more than 90 days overdue on their payments). As of December 31, 2011 and 2010, the Company had no provision related to conditional reinsurance recoverables.

In addition, the Company uses the following accounting policies:

1. Short-term investments are carried at amortized cost, which approximates fair value. Short-term investment transactions are recorded on trade date. Interest income is recognized when earned.

2. Bonds, excluding loan-backed and structured securities, are stated at amortized cost except those with a NAIC designation of "3" or below which are stated at the lower of amortized cost or fair value. Bond transactions are recorded on trade date, with the exception of private placement bonds, which are recorded on settlement date. Amortization of purchase premiums and discounts is calculated using the effective yield method. Realized gains and losses are determined on a specific identification basis. For bonds for which active market quotations are available, the Company generally uses independent pricing services to assist in determining the fair value.

   Management regularly reviews its bond portfolio to evaluate the necessity of recording impairment losses for other-than-temporary declines in fair value. Many criteria may be considered in this review process including, but not limited to, the timing and amount of cash flows, the ability of the issuer to meet its obligations, financial prospects of the issuer, quality of any underlying collateral, current relevant economic conditions that may impact issuers, severity of the decline in fair value, the Company's intent to sell or the intent and ability to hold the security until its value recovers. For bonds (excluding loan-backed and structured securities) determined to be other-than-temporarily impaired, the cost basis is written down to fair value and the amount of the write-down is recorded as a realized loss.

3. Common stocks, other than investments in stocks of subsidiaries and affiliates (see Note C. 7 below), are stated at fair value. Common stock transactions are recorded on trade date. Realized gains and losses are determined on a specific identification basis. Dividends are recognized when declared. For marketable stocks for which active market quotations are available, the Company generally uses independent pricing services to assist in determining the fair value.

NOTES TO FINANCIAL STATEMENTS

4. Preferred stocks redeemable at par and rated investment grade are stated at amortized cost. Perpetual preferred stocks rated investment grade are stated at fair value. Non-investment grade preferred stocks are stated at the lower of amortized value or fair value. Preferred stock transactions are recorded on trade date. Realized gains and losses are determined on a specific identification basis. Interest income is recognized when earned while dividends are recognized when declared. Preferred stocks not carried at fair value, which are in an unrealized loss position, are evaluated for impairment based on the timing of any anticipated recovery in value and the length of time in a loss position. For declines in value considered to be other-than-temporary, a realized loss to fair value is recorded. For marketable preferred stocks, for which active market quotations are available, the Company generally uses independent pricing services to assist in determining the fair value.

5. Mortgage loans are carried at the unpaid principal balance adjusted for premiums, discounts and certain deferred loan origination and commitment fees, less a valuation allowance. The valuation allowance for mortgage loans reflects management's best estimate of probable credit losses. Management's periodic evaluation of the adequacy of the valuation allowance for losses is based on past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of the underlying collateral, current economic conditions, composition of the loan portfolio and other relevant factors. The Company maintains a valuation allowance for estimated credit losses on mortgage loans which is comprised of specific and non-specific reserves.

   Specific reserves for impaired mortgage loans established based on a review by portfolio managers. Mortgage loans are considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. When management determines that a loan is impaired, a provision for loss is established equal to either the difference between the carrying value and the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent.

   The non-specific reserve is established for probable losses inherent in the mortgage loan portfolio as of the balance sheet date but not yet specifically identified. The non-specific reserve is based on past loan loss experience, inherent risks in the portfolio, current economic conditions, composition of the loan portfolio and other relevant factors.

   Changes in the non-specific reserve are recorded directly in surplus, while changes in the specific reserves are recorded in realized losses.

6. Loan-backed and structured securities (collectively, loan-backed securities) are stated at amortized cost except those with an initial NAIC designation of "3" or below which are stated at the lower of amortized cost or fair value. Amortization of purchase premiums and discounts is calculated using the effective yield method. The Company periodically updates its estimates of cash flows, including new prepayment assumptions, for loan-backed securities. The retrospective adjustment method is used to value loan-backed securities where the collection of all contractual cash flows is probable. For loan-backed securities where the collection of all contractual cash flows is not probable, the Company, (a) recognizes the accretable yield over the life of the loan backed security as determined at the acquisition or transaction date, (b) continues to estimate cash flows expected to be collected at least quarterly, and (c) recognizes an other-than-temporary impairment loss if the loan-backed security is impaired (i.e., the fair value is less than the amortized cost basis) and there is a decrease in the cash flows expected to be collected. If the Company intends to sell an impaired loan-backed security or does not have the intent and ability to retain the impaired loan-backed security for a period of time sufficient to recover the amortized cost basis, an other-than-temporary impairment has occurred. In these situations, the other-than-temporary impairment loss recognized is the difference between the amortized cost basis and fair value. If the Company does not expect to recover the entire amortized cost basis when compared to the present value of cash flows expected to be collected, it cannot assert that it has the ability to recover the loan-backed security's amortized cost basis even though it has no intention to sell and has the intent and ability to retain the loan-backed security. Therefore an other-than-temporary impairment has occurred and a realized loss is recognized for the non-interest related decline, which is calculated as the difference between the loan-backed security's amortized cost basis and the present value of cash flows expected to be collected.

   For situations where an other-than-temporary impairment is recognized, the previous amortized cost basis less the other-than-temporary impairment recognized as a realized loss becomes the new cost basis.

   Loan-backed security transactions are recorded on the trade date. Realized gains and losses are determined on a specific identification basis. For loan-backed securities for which active market quotations are available, the Company generally uses independent pricing services to assist in determining the fair value.

7. Investments in subsidiary and affiliated companies are stated as follows:

   The admitted investments in all subsidiary, controlled, and affiliated (SCA) entities are valued using an equity method approach. Under this approach, investments in insurance affiliated companies are stated at underlying statutory equity value adjusted for unamortized goodwill. Investments in non-insurance affiliated companies that have no significant ongoing operations other than to hold assets that are primarily for the direct or indirect benefit or use of the reporting entity or its affiliates are stated at audited GAAP equity adjusted to a statutory basis of accounting. Investments in non-insurance affiliated companies that have significant ongoing operations beyond holding assets that are primarily for the direct or indirect benefit or use of the reporting entity or its affiliates are stated at audited GAAP equity. Unaudited affiliated companies of the reporting entity or its affiliates are non-admitted under prescribed SAP accounting practices. Goodwill arising from the acquisition of affiliated companies is amortized over a period of ten years. Unamortized goodwill at December 31, 2011 and 2010 was $294.3 thousand and $882.8 thousand, respectively, which was fully admitted based upon adjusted policyholder surplus.

8. Investments in joint ventures and partnerships are accounted for using the equity method of accounting. Changes in carrying value as a result of the equity method are reflected as net unrealized capital gains and losses as a direct adjustment to surplus. Realized gains and losses are generally recognized through income at the time of disposal or when operating distributions are received. Management reviews the portfolio for the need to record impairments based on the expected ability to recover unrealized losses and the intent to hold the investment until recovery. The reviews include evaluating the current and expected earnings of the individual investments. Other-than-temporary impairment losses are recorded on other invested assets when indicators of impairment are present and are charged to net realized gains and losses.

9. Accounting for derivatives

   The Company uses derivative instruments to manage risks associated with interest rates, equity markets, foreign currency and credit. These derivative instruments primarily include interest rate swaps, futures contracts, credit default swaps, currency contracts and other traditional swap agreements.

NOTES TO FINANCIAL STATEMENTS

Derivative instruments used in hedging transactions considered to be effective hedges are valued and reported in a manner consistent with the hedged items (i.e., hedge accounting). Derivative instruments used in hedging transactions that do not meet or no longer meet the criteria of an effective hedge are accounted for at fair value and the changes in the fair value are recorded in surplus as unrealized gains or unrealized losses. Derivative instrument cash flows and payment accruals are recorded as realized gains and losses or in net investment income.

10. Insurance premiums are generally earned ratably over the policy term. The liability for unearned premiums represents the portion of premiums written relating to the unexpired terms of coverage. Such reserves are computed by pro rata methods for direct business and are based on reports received from ceding companies for reinsurance assumed. Premiums in course of collection represent agent balances and uncollected premiums from policyholders for current policies in force and policy premiums assumed from others, including amounts placed with affiliates. As of December 31, 2011 and 2010, the Company had no liabilities related to premium deficiency reserves. The Company includes anticipated investment income when calculating its premium deficiency reserves, in accordance with SSAP No. 53, Property-Casualty Contracts – Premiums.

11. The Company establishes losses and loss expense reserves for reported claims and claims incurred but not yet reported. Estimating the liability for losses and loss expense reserves involves significant judgment and multiple assumptions. Management considers the Company's experience with similar claims, historical trends, economic factors and judicial, legislative and regulatory changes in establishing reserves. The Company's losses and loss expense reserves are recorded net of reinsurance and amounts expected to be received from salvage (the amount recovered from property after the Company pays for a total loss) and subrogation (the right to recover payments from third parties).

    Assumptions and estimates for losses and loss expense reserves are updated as new information becomes available. Due to the inherent uncertainty in estimating losses and loss expense reserves, the actual cost of settling claims may differ materially from recorded amounts. Changes in losses and loss expense reserve estimates are included in results of operations in the period the estimates are revised.

12. The Company has a written capitalization policy for prepaid expenses and purchases of items such as electronic data processing equipment, software, furniture, vehicles, other equipment and leasehold improvements. The Company has not modified its capitalization policy from the prior period.

13. The Company does not write major medical insurance with prescription drug coverage.

Note 2 - Accounting Changes and Corrections of Errors

A. Accounting Changes

Adopted Accounting Standards

On December 31, 2011, the Company adopted revisions to SSAP No. 5, *Liabilities, Contingencies and Impairments of Assets* (SSAP No. 5R) which require insurance entities to recognize, at inception of a guarantee, a liability for the obligations it has undertaken in issuing the guarantee, even if the likelihood of having to make payments under the guarantee is remote. The revised guidance does not require liability recognition for guarantees made to or on behalf of direct or indirect wholly-owned insurance and non-insurance subsidiaries or for guarantees considered unlimited. The Company also adopted additional revisions related to disclosure requirements of SSAP No. 25, *Accounting for and Disclosures about Transactions with Affiliated and Other Related Parties* to correspond with SSAP No. 5R. The guidance is effective for all guarantees issued or outstanding as of December 31, 2011, and disclosure of all guarantees must be reported annually. Refer to Note 14 for the required disclosures and financial impact of this guidance.

On January 1, 2011, the Company adopted changes to the definition of loan-backed and structured securities within SSAP No. 43R, *Loan-backed and Structured Securities*. These changes required certain securities to be reclassified into the loan-backed and structured securities classification and resulted in an immaterial impact to the Company upon adoption. Refer to Note 5 for required disclosures and financial impact.

On December 31, 2009, the Company adopted temporary guidance in SSAP No. 10R, *Income Taxes Revised – A Temporary Replacement of SSAP No. 10*, that requires additional disclosures related to tax planning strategies and provides an election for a qualifying life insurance company to increase within its deferred tax asset admissibility calculation the reversal period from one to three years and its limitation from 10% of statutory capital and surplus to 15%. This guidance is effective for interim and annual reporting periods through December 31, 2011, and will be replaced with the adoption of SSAP No. 101, *Income Taxes*. Refer to Note 9 for the required disclosures and financial impact.

Pending Accounting Standards

On January 1, 2012, the Company adopted a new standard, SSAP No. 101, *Income Taxes*, which supersedes SSAP No. 10R, *Income Taxes Revised – A Temporary Replacement of SSAP No. 10.* The standard applies a 'more likely than not' threshold for the recognition of federal and foreign tax loss contingencies and establishes a new framework for determining the admissibility of deferred tax assets (DTA). The framework sets a three year limit on loss carryback provisions, introduces guardrails for determining the realization period and percentage of capital and surplus companies may use to determine DTA admissibility, and establishes parameters around offsetting DTAs against deferred tax liabilities (DTL) as it relates to the admissibility of a DTA. The standard also adopts new disclosure requirements related to tax planning strategies, the amounts and components used to determine admissible DTA amounts, and information about reasonably possible increases in the total liability for any federal or foreign income tax loss contingencies within twelve months of the reporting date. The Company is currently in the process of determining the impact of adoption of this standard.

Correction of Error

Not applicable.

Note 3 - Business Combinations and Goodwill

A. Statutory Purchase Method

1. In 2002, the Company purchased 5.0% of Nationwide Realty Investors, LLC (Nationwide Realty). Nationwide Realty is an Ohio limited liability company engaged in the business of developing, owning and operating real estate investments.

2. The transaction above was accounted for as a statutory purchase.

3. The cost of the Nationwide Realty acquisition was $18.0 million, resulting in goodwill of $5.9 million.

4. Goodwill amortization for the year ended December 31, 2011 related to the purchase of Nationwide Realty was $0.6 million.

NOTES TO FINANCIAL STATEMENTS

B. Statutory Merger

Not applicable.

C. Impairment Loss

Not applicable.

Note 4 - Discontinued Operations

Not applicable.

Note 5 - Investments

A. Mortgage Loans

1. There were no new commercial loans originated during 2011. No residential mortgages were loaned during 2011.

2. During 2011 the Company did not reduce interest rates on any outstanding loans.

3. At December 31, 2011, the maximum percentage of any one loan to the value of collateral at the time of the loan is 83.5%.

4. The Company did not hold mortgages with interest 180 days or more past due.

5. There were no taxes, assessments or any amounts advanced and not included in the mortgage loan.

6. Investments on loans with impairments totaled $2,035,943 and $5,524,977 at December 31, 2011 and 2010, respectively, with related allowance for credit losses of $582,677 and $1,099,677, respectively.

7. There were no impaired mortgage loans without an allowance for credit losses.

8. The average investment in impaired loans was $2,035,943 and $5,524,977 during 2011 and 2010, respectively.

9. There was $30,769 and $278,268 interest income recognized during 2011 and 2010, respectively, during the period the loans were impaired.

10. There was $23,131 and $277,867 interest income recognized during 2011 and 2010, respectively, on a cash basis during the period the loans are impaired.

11. Allowance for Credit Losses

11. Allowance for Credit Losses	12/31/2011	12/31/2010
a. Balance at beginning of period	$ 985,674	$ 935,804
b. Additions charged to operations	$ 0	$ 49,870
c. Direct write-downs charged against the allowances	$ 0	$ 0
d. Recoveries of amounts previously charged off	$ (488,220)	$ 0
e. Balance at end of period	$ 497,454	$ 985,674

12. The Company accrues interest income on impaired loans to the extent it is deemed collectible (delinquent less than 90 days) and the loan continues to perform under its original or restructured contractual terms. Interest received on non-accrual status mortgage loans on real estate is included in net investment income in the period received.

B. Troubled Debt Restructuring for Creditors

1. The total recorded investment in restructured loans was $3,376,545 and $4,211,661 as of December 31, 2011 and 2010, respectively.

2. The realized capital losses related to these loans was $582,677 and $0 as of December 31, 2011 and 2010, respectively.

3. There were no contractual commitments to extend credit to debtors owning receivables whose terms have been modified in troubled debt restructurings as of December 31, 2011 and 2010.

4. The Company accrues interest income on impaired loans to the extent it is deemed collectible (delinquent less than 90 days) and the loan continues to perform under its original or restructured contractual terms. Interest received on non-accrual status mortgage loans on real estate is included in net investment income in the period received.

C. Reverse Mortgages

Not applicable.

D. Loan-Backed Securities

1. Prepayment assumptions are generally obtained using a model provided by a third-party vendor.

NOTES TO FINANCIAL STATEMENTS

2. The following table summarizes by quarter other-than-temporary impairments for loan-backed securities recorded during the year because the Company had either the intent to sell the securities or the inability or lack of intent to retain as cited in the table:

	(1) Amortized Cost Basis Before Other-than-Temporary Impairment	(2) Other-than-Temporary Impairment Recognized in Loss	(3) Fair Value 1 - 2
OTTI recognized 1st Quarter			
a. Intent to Sell	$ -	$ -	$ -
b. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	$ -	$ -	$ -
c. Total 1st Quarter	$ -	$ -	$ -
OTTI recognized 2nd Quarter			
d. Intent to Sell	$ -	$ -	$ -
e. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	$ -	$ -	$ -
f. Total 2nd Quarter	$ -	$ -	$ -
OTTI recognized 3rd Quarter			
g. Intent to Sell	$ -	$ -	$ -
h. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	$ -	$ -	$ -
i. Total 3rd Quarter	$ -	$ -	$ -
OTTI recognized 4th Quarter			
j. Intent to Sell	$ -	$ -	$ -
k. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	$ -	$ -	$ -
l. Total 4th Quarter	$ -	$ -	$ -
m. Annual Aggregate Total		$ -	

3. The following table summarizes other-than-temporary impairments for loan-backed securities held at the end of the quarter based on the fact that the present value of projected cash flows expected to be collected was less than the amortized cost of the securities:

(1) CUSIP	(2) Amortized Cost Before Current Period OTTI	(3) Present Value of Projected Cash Flows	(4) Recognized Other-Than-Temporary Impairment	(5) Amortized Cost After Other-Than-Temporary Impairment	(6) Fair Value at time of OTTI	(7) Date of Financial Statement Where Reported
43739EAP2	$ 4,184,040	$ 4,024,868	$ 159,172	$ 4,024,868	$ 2,425,577	Q4'11
12667GAX1	$ 10,354,862	$ 10,162,333	$ 192,529	$ 10,162,333	$ 8,177,926	Q2 '11
761118HD3	$ 4,358,301	$ 4,012,299	$ 346,002	$ 4,012,299	$ 3,498,380	Q2 '11
86363GAJ3	$ 2,709,536	$ 2,627,788	$ 81,748	$ 2,627,788	$ 2,056,382	Q2 '11
43739EAP2	$ 4,456,318	$ 4,380,755	$ 75,563	$ 4,380,755	$ 3,447,084	Q1 '11
12667GAX1	$ 11,489,006	$ 11,316,152	$ 172,854	$ 11,316,152	$ 8,799,074	Q4 '10
43739EAP2	$ 4,625,145	$ 4,521,617	$ 103,528	$ 4,521,617	$ 3,395,115	Q4 '10
74042TAC5	$ 8,939,392	$ 8,864,586	$ 74,806	$ 8,864,586	$ 5,424,057	Q3 '10
785778HD6	$ 1,660,514	$ 1,608,726	$ 51,788	$ 1,608,726	$ 758,956	Q3 '10
17307GYH5	$ 6,485,902	$ 6,032,699	$ 453,203	$ 6,032,699	$ 5,256,058	Q2 '10
12667GXN8	$ 14,208,403	$ 13,806,788	$ 401,615	$ 13,806,788	$ 11,325,389	Q1 '10
761118HD3	$ 4,669,491	$ 4,482,782	$ 186,709	$ 4,482,782	$ 3,668,275	Q1 '10
12667GXN8	$ 14,381,599	$ 14,208,403	$ 173,196	$ 14,208,403	$ 11,250,613	Q4 '09
86363GAJ3	$ 3,786,928	$ 3,525,759	$ 261,169	$ 3,525,759	$ 2,359,016	Q4 '09
12667GAX1	$ 15,611,598	$ 15,115,896	$ 495,703	$ 15,115,896	$ 10,804,631	Q3 '09
126686AC8	$ 1,698,091	$ 2,268,179	$ (570,088)	$ 2,268,179	$ 2,178,721	Q3 '09
59549RAC8	$ 5,807,307	$ 5,169,950	$ 637,357	$ 5,169,950	$ 4,995,475	Q3 '09
74042TAC5	$ 9,499,020	$ 8,939,392	$ 559,629	$ 8,939,392	$ 4,201,091	Q3 '09
89234NAB6	$ 1,216,000	$ 3,068,465	$ (1,852,465)	$ 3,068,465	$ 1,200,778	Q3 '09
144527AB4	$ 6,205,000	$ 9,996,975	$ (3,791,975)	$ 9,996,975	$ 4,763,699	Q3 '09
761118HD3	$ 2,232,500	$ 4,669,491	$ (2,436,991)	$ 4,669,491	$ 3,635,050	Q3 '09
Total			$ (4,224,949)			

NOTES TO FINANCIAL STATEMENTS

4. All impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains):

a. The aggregate amount of unrealized losses:

1.	Less than 12 Months	$	(1,816,380)
2.	12 Months or Longer	$	(28,499,754)

b. The aggregate related fair value of securities with unrealized losses:

1.	Less than 12 Months	$	32,012,197
2.	12 Months or Longer	$	107,336,254

5. The Company reviews all loan-backed and structured securities in which the fair value of the given security is less than the amortized cost to determine if a given security is other-than-temporarily impaired. The Company examines characteristics of the underlying collateral, such as delinquency and default rates, the quality of the underlying borrower, the type of collateral in the pool, the vintage year of the collateral, subordination levels within the structure of the collateral pool, the quality of any credit guarantors, to determine the cash flows expected to be received for the security.

If the severity and duration of the security's unrealized loss indicates a risk of an other-than-temporary impairment, then the Company will evaluate if the amortized cost basis of the security will be recovered by comparing the present value of the cash flows expected to be received for the given security with the amortized cost basis of the security. If the present value of cash flows is greater than the amortized cost basis of a security then the security is deemed not to be other-than-temporarily impaired.

E. Repurchase Agreements and Securities Lending Transactions

1. Repurchase Agreements:

For repurchase agreements, Company policy requires a minimum of 102% of the fair value of securities purchased under repurchase agreements to be maintained as collateral. Cash collateral received is invested in short-term investments and the offsetting collateral liability is included in aggregate write-ins for liabilities. There were no open repurchase agreements as of year end.

Securities Lending:

The Company's securities lending agreement requires a minimum of 102% of the fair value of loaned securities to be held as collateral.

2. No assets were pledged as collateral as of year-end.

3. The Company has not accepted collateral that is permitted by contract or custom to sell or repledge as of year-end.

a. The Company's securities lending agreement allows the borrower to terminate a loan upon demand. The Company's obligation for cash collateral received was $25,021,328 at December 31, 2011 and is carried as a "Payable for securities lending" on the balance sheet. The Company does not hold any non-cash collateral for loaned securities as of December 31, 2011.

b. Cash collateral received is reinvested by the agent bank in accordance with the Company's authorized investment policy and included as assets of the Company (Schedule DL). The fair value of reinvested cash collateral is $16,087,212 at December 31, 2011.

c. Cash collateral provided by approved borrowers is reinvested by the Company's agent bank during the term of the loan and returned to the borrower upon a loan's termination.

4. The Company did not have any securities lending activities with an affiliated agent.

5 a. The amortized cost and fair value of reinvested cash collateral is $23,603,181 and $16,087,212, respectively, as of December 31, 2011.

	Amortized Cost	Fair Value
Under 30 day	$ 4,079,798	$ 4,079,798
60-day		
90-day		
120-day		
180-day		
<1Year	16,863,009	10,661,882
1-2 Years		
2-3 Years		
>3 Years	2,660,374	1,345,532
	$ 23,603,181	$ 16,087,212

b. In accordance with the securities lending investment policy, reinvestments of cash collateral cannot exceed 3 years in maturity. Because the borrower or the Company may terminate a securities lending transaction at any time, to the extent loans are terminated in advance of reinvestment collateral maturities, the Company would repay its securities lending payable obligation from operating cash flows or the proceeds of sales from its investment portfolio, which includes significant liquid securities.

F. Real Estate

Not applicable.

NOTES TO FINANCIAL STATEMENTS

G. Low-Income Housing Tax Credits

1. The number of remaining years of unexpired tax credits and required holding period for the Company's LIHTC investments.

Low-Income Housing Tax Credits	Remaining years	Holding Period
Commons at Grant LLC	2	2018
Nationwide Affordable Housing Fund II	5	2016
Nationwide Affordable Housing Fund III	2	2017
Nationwide Affordable Housing Fund XI - NCD	4	2020
Ohio Equity Fund XI	6	2019
Ohio Equity Fund XII	4	2020
Ohio Equity Fund XIII	6	2021
Texas Housing Fund (FKA Nationwide Affordable Housing Fund I)	1	2015

2. The Company's investments in LIHTC are made up of several property investments which are subject to periodic reviews by HUD (if applicable) and state housing agencies. The Company receives updates from property managers as to the status of any regulatory review and investigates further as needed.

3. LIHTC investments exceeding 10 percent of the total admitted assets

   Not Applicable.

4. Analysis is done for LIHTC investments to determine if an impairment exists by comparing the book value of the investment with the present value of future tax benefits. The investment is written down if the book value is higher than the present value and the write-down is accounted for as a realized loss. For 2011, there were no impairments on a Statutory basis.

5. In 2011, there were no write-downs due to forfeiture or ineligibility.

Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

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

Not applicable.

B. Write-downs for Impairments

Not applicable.

Note 7 - Investment Income

A. Accrued Investment Income

The Company nonadmits investment income due and accrued if amounts are over 90 days past due with the exception of mortgage loans in default which are nonadmitted if amounts are over 180 days past due.

B. Amounts Nonadmitted

The total amount of investment income nonadmitted at December 31, 2011 is $14,410.

Note 8 - Derivative Instruments

The Company is exposed to certain risks relating to its ongoing business operations which are managed using derivative instruments. The primary risk managed by using derivative instruments is foreign currency exchange risk. The Company uses cross currency swaps to hedge this risk. The Company also uses credit default swap contracts to synthetically replicate investment risks and returns.

The Company is exposed to credit-related losses in the event of nonperformance by counterparties to financial instruments, but it does not expect any counterparties to fail to meet their obligations given their high credit ratings. Potential losses are minimized through careful evaluation of counterparty credit standing, selection of counterparties from a limited group of high quality institutions, and collateral agreements.

The cash requirements of a derivative will vary by contract. In a cross currency swap, notional amounts are typically exchanged in the respective contracted currencies at both settlement date and at expiration. Interest payments are also exchanged in the contracted currencies, timing and amounts. In a credit default swap, where protection is sold on a single-name entity, periodic payments are received by the Company in exchange for promised credit protection on a referenced security. If there is a credit even declared by the International Swap Dealers Association on the referenced security, settlement of the credit default swap would be triggered and cash would be paid to the counterparty in the amount of the contract notional less a recovery rate.

Foreign currency risk management: As part of its regular investing activities, the Company may purchase foreign currency denominated investments. These investments and the associated income expose the Company to volatility associated with movements in foreign exchange rates. In an effort to mitigate this risk, the Company uses cross-currency swaps. As foreign exchange rates change, the increase or decrease in the cash flows of the derivative instrument generally offset the changes in the functional-currency equivalent cash flows of the hedged item.

Asset replication strategy: The Company enters into credit default swaps to synthetically create investments as a less expensive alternative to the cash markets. The structure includes a highly rated cash instrument together with selling protection on a single-name entity. The strategy gains the Company exposure to a risk-free rate of return plus the credit spread return from the credit protection, synthesizing an otherwise permissible investment in a fixed income corporate bond.

Derivative instruments cash flows and payment accruals are recorded in net investment income.

Fair value of derivative instruments is determined using various valuation techniques relying predominately on observable market inputs. These inputs include interest rate swap curves, credit spreads, interest rates, counterparty credit risk, equity volatility and equity index levels. In some cases, the Company will utilize non-binding broker quotes to determine fair value.

Derivative instruments used in hedging transactions considered to be effective hedges are valued and reported in a manner consistent with the hedged items (i.e., hedge accounting). Derivative instruments used in hedging transactions that do not meet or no longer meet the criteria of an effective hedge are accounted for at fair value with changes in fair value recorded in surplus as unrealized gains or losses.

NOTES TO FINANCIAL STATEMENTS

No gain or loss recognized in derivative instruments' unrealized gains or losses during the year were excluded from the assessment of hedge effectiveness. There is also no net gain or loss recognized during the year resulting from derivatives that no longer qualify for hedge accounting. In addition, no amounts of gains or losses were classified in unrealized gains/losses related to cash flow hedges that have been discontinued because it was no longer probable that the original forecasted transaction would occur as anticipated.

The Company is not currently engaged in written covered options used for income generation or derivatives accounted for as cash flow hedges of a forecasted transaction, other than the payment of variable interest on existing financial instruments.

Note 9 - Income Taxes

A. The net deferred tax asset/(liability) at December 31 and the change from the prior year are comprised of the following components:

	12/31/2011			12/31/2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
(1a) Gross deferred tax assets	43,155,581	27,864,051	71,019,632	42,154,249	20,083,190	62,237,439	1,001,332	7,780,861	8,782,193
(1b) Statutory valuation allowance adjustment	-	-	-	-	-	-	-	-	-
(1c) Adjusted gross deferred tax assets	43,155,581	27,864,051	71,019,632	42,154,249	20,083,190	62,237,439	1,001,332	7,780,861	8,782,193
(2) Total deferred tax liabilities	235,955	6,813,029	7,048,984	573,690	6,254,094	6,827,784	(337,735)	558,935	221,200
(3) Net deferred tax asset (liability)	42,919,626	21,051,022	63,970,648	41,580,559	13,829,096	55,409,655	1,339,067	7,221,926	8,560,993
(4) Deferred tax assets nonadmitted	33,840,113	17,403,629	51,243,742	28,968,361	9,630,665	38,599,026	4,871,752	7,772,964	12,644,716
(5) Net admitted deferred tax asset (liability)	$ 9,079,513	$ 3,647,393	$ 12,726,906	$ 12,612,198	$ 4,198,431	$ 16,810,629	$ (3,532,685)	$ (551,038)	$ (4,083,723)

The change in deferred income taxes reported in surplus before consideration of nonadmitted assets is comprised of the following components:

	12/31/2011			12/31/2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
(6) Net deferred tax asset (liability)	42,919,626	21,051,022	63,970,648	41,580,559	13,829,096	55,409,655	1,339,067	7,221,926	8,560,993
(7) Tax-effect of unrealized gains and losses	(618,090)	(6,941,097)	(7,559,187)	-	(6,629,983)	(6,629,983)	(618,090)	(311,114)	(929,204)
(8) Prior period adjustment	-	-	-	-	-	-	-	-	-
(9) Net tax effect without unrealized gains and losses and prior period adjustment	$ 43,537,716	$ 27,992,119	$ 71,529,835	$ 41,580,559	$ 20,459,079	$ 62,039,638	$ 1,957,157	$ 7,533,040	$ 9,490,197
(10) Change in deferred income tax									$ 9,490,197

(11) The Company has not elected to admit deferred tax assets pursuant to SSAP No. 10R, paragraph 10e for the reporting period 2011 and 2010.

(12) Admission Calculation Components - SSAP No. 10R, Paragraphs 10.a., 10.b., and 10.c.:

	12/31/2011			12/31/2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
SSAP No. 10R, Paragraph 10.a.	-	-	-	7,747,656	-	7,747,656	(7,747,656)	-	(7,747,656)
SSAP No. 10R, Paragraph 10.b. (the lesser of paragraph 10.b.i. and 10.b.ii. below)	9,079,513	3,647,393	12,726,906	4,864,542	4,198,431	9,062,973	4,214,971	(551,038)	3,663,933
SSAP No. 10R, Paragraph 10.b.i.	9,079,513	3,647,393	12,726,906	4,864,542	4,198,431	9,062,973	4,214,971	(551,038)	3,663,933
SSAP No. 10R, Paragraph 10.b.ii.			114,213,018			101,657,890			12,555,128
Paragraph 10.c	235,955	6,813,029	7,048,984	573,690	6,254,094	6,827,784	(337,735)	558,935	221,200
Total	$ 9,315,468	$ 10,460,422	$ 19,775,890	$ 13,185,888	$ 10,452,525	$ 23,638,413	$ (3,870,420)	$ 7,897	$ (3,862,523)

Admission Calculation Components - SSAP No. 10R, Paragraph 10.e.-:

SSAP No. 10R, Paragraph 10e.i.	-	-	-	-	-	-	-	-	-
SSAP No. 10R, Paragraph 10.e.ii. (the lesser of paragraph 10.e.ii.a. and 10.e.ii.b. below)	-	-	-	-	-	-	-	-	-
SSAP No. 10R, Paragraph 10.e.ii.a.	-	-	-	-	-	-	-	-	-
SSAP No. 10R, Paragraph 10.e.ii.b.			-			-			-
Paragraph 10.e.iii.	-	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	12/31/2011	12/31/2010	Change
Used in SSAP No. 10R, Paragraph 10.d.			
Total Adjusted Capital	$ -	$ -	$ -
Authorized Control Level	$ -	$ -	$ -

(13)

	12/31/2011			12/31/2010			Change		
	Ordinary Percent	Capital Percent	Total Percent	Ordinary Percent	Capital Percent	Total Percent	Ordinary Percent	Capital Percent	Total Percent
Impact of Tax Planning Strategies									
Adjusted Gross DTAs	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net Admitted Adjusted Gross DTAs	0.00%	28.66%	28.66%	0.00%	24.97%	24.97%	0.00%	3.69%	3.69%

(14) Risk Based Capital Summary	12/31/2011 Ordinary	12/31/2011 Capital	12/31/2011 Total	12/31/2010 Ordinary	12/31/2010 Capital	12/31/2010 Total	Change Ordinary	Change Capital	Change Total
SSAP No. 10R, Paragraphs 10.a., 10.b., and 10.c.:									
Admitted DTAs	-	-	$ -	-	-	$ -	-	-	$ -
Admitted assets			$ -			$ -			$ -
Adjusted Statutory surplus			$ -			$ -			$ -
Total adjusted capital from DTAs			$ -			$ -			$ -
Increases due to SSAP No. 10R, Paragraph 10e.:									
Admitted DTAs	-	-	$ -	-	-	$ -	-	-	$ -
Admitted assets	-	-	$ -	-	-	$ -	-	-	$ -
Statutory surplus	-	-	$ -	-	-	$ -	-	-	$ -

B. Unrecognized deferred tax liabilities

(1) There are no temporary differences for which deferred tax liabilities are not recognized.

C. Current income tax incurred consist of the following major components:

	12/31/2011	12/31/2010	Change
(1) Federal	37,821,058	9,495,327	28,325,731
(2) Foreign Tax	9,240	7,747	1,493
Subtotal	$ 37,830,298	$ 9,503,074	$ 28,327,224
(3) Federal income tax on net capital gains	3,744,200	618,793	3,125,407
(4) Utilization of capital loss carry-forwards	-	-	-
(5) Other	-	-	-
(6) Federal and foreign income taxes incurred	$ 41,574,498	$ 10,121,867	$ 31,452,631

Deferred income tax assets and liabilities consist of the following major components:

	12/31/2011	12/31/2010	Change
Deferred Tax Assets			
a) Ordinary			
1) Discounting of unpaid losses	24,702,468	28,337,690	(3,635,222)
2) Unearned premium reserve	4,351	10,503	(6,152)
3) Policyholder reserves	-	-	-
4) Investments	3,710,484	1,912,313	1,798,171
5) Deferred acquisition costs	-	-	-
6) Policyholder dividends accrual	-	-	-
7) Fixed assets	-	-	-
8) Compensation and benefits accrual	-	-	-
9) Pension accrual	219,735	38,527	181,208
10) Receivables - nonadmitted	9,641,512	8,463,096	1,178,416
11) Net operating loss carry-forward	-	-	-
12) Tax credit carry-forward	4,121,921	2,716,736	1,405,185
13) Non-admitted miscellaneous	-	-	-
14) Other liabilities	-	-	-
15) Intangibles	-	-	-
16) Non-admitted premiums and agent bal	755,110	675,384	79,726
17) Other	-	-	-
Subtotal	$ 43,155,581	$ 42,154,249	$ 1,001,332

NOTES TO FINANCIAL STATEMENTS

b)	Statutory valuation allowance adjustment	$ -	$ -	$ -
c)	Nonadmitted	$ 33,840,113	$ 28,968,361	$ 4,871,752
d)	Admitted ordinary deferred tax assets	$ 9,315,468	$ 13,185,888	$ (3,870,420)
e)	Capital			
1)	Investments	27,724,870	19,855,949	7,868,921
2)	Net capital loss carry-forward	139,181	227,241	(88,060)
3)	Real estate	-	-	-
4)	Other	-	-	-
	Subtotal	$ 27,864,051	$ 20,083,190	$ 7,780,861
f)	Statutory valuation allowance adjustment	$ -	$ -	$ -
g)	Nonadmitted	$ 17,403,629	$ 9,630,665	$ 7,772,964
h)	Admitted capital deferred tax assets	$ 10,460,422	$ 10,452,525	$ 7,897
i)	Admitted deferred tax assets	$ 19,775,890	$ 23,638,413	$ (3,862,523)
Deferred Tax Liabilities				
a)	Ordinary			
1)	Investments	-	231,713	(231,713)
2)	Fixed assets	-	-	-
3)	Deferred and uncollected premiums	-	-	-
4)	Policyholder reserves	-	-	-
5)	Pension accrual	-	-	-
6)	Guaranty assessments	-	-	-
7)	Unearned surcharge income	-	-	-
8)	Prepaid expenses	-	-	-
9)	Surplus note interest accrual	-	-	-
10)	Section 338 gain	-	-	-
11)	Unrealized miscellaneous	235,955	341,976	(106,021)
12)	Other	-	-	-
	Subtotal	$ 235,955	$ 573,690	$ (337,734)
b)	Capital			
1)	Investments	6,813,029	6,254,095	558,934
2)	Real estate	-	-	-
3)	Other	-	-	-
	Subtotal	$ 6,813,029	$ 6,254,095	$ 558,934
c)	Deferred tax liabilities	$ 7,048,984	$ 6,827,785	$ 221,200
Net deferred tax assets/liabilities		$ 12,726,906	$ 16,810,629	$ (4,083,723)

The Company's gross deferred tax assets based on the weight of available evidence are more likely than not to be realized (a likelihood of more than 50 percent)

D. The income tax incurred and change in deferred income tax differs from the amount obtained by applying the federal statutory rate of 35% to income before tax as follows:

		12/31/2011	12/31/2010
(1)	Current income taxes incurred	41,574,498	10,121,867
(2)	Change in deferred income tax (without tax on unrealized gains and losses)	(9,490,197)	(5,951,289)
(3)	Total income tax reported	$ 32,084,301	$ 4,170,578
(4)	Income before taxes	$ 142,601,006	$ 67,739,427
		35%	35%
(5)	Expected income tax expense (benefit) at 35% statutory rate	$ 49,910,352	$ 23,708,799
(6)	Increase (decrease) in actual tax reported resulting from:		
a.	Dividends received deduction	-	(174,931)
b.	Nondeductible expenses for meals, penalties, and lobbying	8,979	10,942
c.	Tax-exempt income	(15,364,499)	(16,547,572)
d.	Deferred tax benefit on nonadmitted assets	(1,306,677)	(1,167,870)
e.	Change in Statutory valuation allowance adjustment	-	-
f.	Change in tax reserves	329,935	(46,282)
g.	Intangibles	-	-
h.	Tax credits	(1,316,758)	(1,407,292)
i.	Other	(177,031)	(205,216)
(7)	Total income tax reported	$ 32,084,301	$ 4,170,578

E. Operating loss carryforward

(1) As of December 31, operating loss or tax credit carryforwards are available as follows:

	Amount	Origination	Expiration
Operating loss carryforwards			
Amount of AMT tax credits			
Business credits	$ 1,405,914	2009	2029
Business credits	$ 1,405,219	2010	2030
Business credits	$ 1,310,788	2011	2031

(2) The amount of Federal income taxes incurred that are available for recoupment in the event of future net loses are:

2011	$ -
2010	$ -

F. Consolidated federal income tax return

(1) The Company's federal income tax return is consolidated with the following entities:

AGMC Reinsurance, Ltd.
Allied General Agency Company
Allied Group, Inc.
Allied Insurance Company of America
Allied Property and Casualty Insurance Company
Allied Texas Agency, Inc.
AMCO Insurance Company
American Marine Underwriters, Inc.
Crestbrook Insurance Company
Depositors Insurance Company
DVM Insurance Agency, Inc.
Freedom Specialty Insurance Company
Insurance Intermediaries, Inc.
Lone Star General Agency, Inc.
National Casualty Company
Nationwide Advantage Mortgage Company
Nationwide Affinity Insurance Company of America
Nationwide Agribusiness Insurance Company
Nationwide Assurance Company
Nationwide Bank
Nationwide Retirement Solutions, Inc. of Ohio
Nationwide Retirement Solutions, Inc. of Texas
Nationwide Retirement Solutions Insurance Agency, Inc.
Nationwide SA Capital Trust
Nationwide Sales Solutions, Inc.
NFS Distributors, Inc.
NWD Asset Management Holdings, Inc.
NWD Investment Management, Inc.
NWD Management & Research Trust
Pension Associates, Inc.
Pet Healthcare Services, Inc.
Premier Agency, Inc.
Provfirst America Corporation
Provident Mutual Holding Company
Registered Investment Advisors Services, Inc.
Riverview International Group, Inc.
Scottsdale Indemnity Company
Scottsdale Insurance Company
Scottsdale Surplus Lines Insurance Company

NOTES TO FINANCIAL STATEMENTS

Nationwide Cash Management Company
Nationwide Corporation
Nationwide Financial General Agency, Inc.
Nationwide Financial Institution Distribution Agency, Inc.
Nationwide Financial Services, Inc.
Nationwide General Insurance Company
Nationwide Global Holdings, Inc.
Nationwide Global Ventures, Inc.
Nationwide Indemnity Company
Nationwide Insurance Company of America
Nationwide Insurance Company of Florida
Nationwide Lloyds
Nationwide Mutual Insurance Company
Nationwide Property and Casualty Ins. Company
Nationwide Retirement Solutions, Inc.
Nationwide Retirement Solutions, Inc. of Arizona
THI Holdings (Delaware), Inc.
Titan Auto Insurance of New Mexico, Inc.
Titan Indemnity Company
Titan Insurance Company
Titan Insurance Services, Inc.
V.P.I. Services, Inc.
Veterinary Pet Insurance Company
Veterinary Pet Insurance Services, Inc.
Victoria Automobile Insurance Company
Victoria Fire & Casualty Company
Victoria National Insurance Company
Victoria Select Insurance Company
Victoria Specialty Insurance Company
WI of Florida, Inc.
Western Heritage Insurance Company
Whitehall Holdings, Inc.

2. The method of allocation among the companies is subject to the resolution approved by the Board of Directors. Allocation is based upon separate return or sub-group aggregated separate return calculations with the company being reimbursed for the actual Federal income tax benefit of its net operating losses which are actually used to reduce the taxable income of other companies in the consolidated return.

3. The Company did not have any protective tax deposits under Section 6603 of the Internal Revenue Code.

Note 10 - Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

A. Nature of Relationships

The Company is domiciled in Ohio and is licensed as a reinsurer in Illinois, Iowa and Ohio and qualified in New York and Wisconsin. The Company had provided excess of loss and catastrophe coverages for certain affiliated companies, as well as assuming certain retroceded reinsurance from its parent, Mutual. In addition, on December 31, 1998, the Company assumed loss and loss adjustment expense reserves from both Mutual and Employers Insurance of Wausau (a mutual company) (EIOW), a former affiliate, and certain of EIOW's affiliated property and casualty companies. The Company is principally used to process runoff lines of business and therefore generates little premium. The Company is subject to regulation by the insurance departments of states in which it is licensed and undergoes period examinations by those departments.

All outstanding shares of the Company are owned by Mutual, domiciled in the State of Ohio.

Bonds and stocks, if any, owned, acquired or disposed of in any year by the Company in any subsidiary or affiliate are set forth in Schedule D of either this statement or those of prior years. Intercompany relationships and specific holdings are detailed in the Nationwide Corporate Organizational Chart, which appears as Schedule Y of this statement.

The Company and various affiliates have entered into agreements with Nationwide Cash Management Company (NCMC) a subsidiary of the Company, under which NCMC acts as a common agent in handling the purchases and sales of short-term securities for the respective accounts of the participants. Amounts on deposit with NCMC were $833.7 thousand and $110.1 million as of December 31, 2011 and 2010, respectively, and are included in short-term investments on the accompanying statutory statements of admitted assets, liabilities, capital and surplus.

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

On January 21, February 28, May 6, June 17, September 30, and October 28, 2011 the Company made $250 thousand capital contributions to Nationwide Realty Investors. On September 1 and September 15, 2011 the Company made $100 thousand and $500 thousand capital contributions, respectively, to Nationwide Realty Investors.

On March 31, April 30, May 26 and August 31, 2010 the Company made $250 thousand, $250 thousand, $750 thousand, and $400 thousand capital contributions, respectively to Nationwide Realty Investors, Ltd. (NRI), an affiliated company.

C. Change in Terms of Intercompany Arrangements

There were no changes to the intercompany arrangements in 2011 or 2010.

D. Amounts Due to or from Related Parties

Affiliate receivables and payables are the result of cost sharing and intercompany service agreements between the Company and its parent and affiliates in which settlement has not yet occurred. Affiliate receivables are presented gross of affiliate payables when the Company has the right to offset. The Company reported $371.0 thousand due from parent and $308.3 thousand due to parent at December 31, 2011 and 2010, respectively. The Company reported gross amounts of $379.4 thousand and $167.4 thousand due from parent and affiliates and $0 and $336.8 thousand due to parent and affiliates at December 31, 2011 and 2010, respectively. These arrangements are subject to written agreements which require that intercompany balances be settled within 30 days.

E. Guarantees or Undertakings for Related Parties

The Company has no guarantees or contingent commitments to affiliates other than indicated in Note 14 A.

F. Management, Service Contracts, Cost Sharing Arrangements

The Company shares its home office, other facilities, equipment, and common management and administrative services with its subsidiaries and affiliates. Pursuant to a cost sharing agreement between the companies, the amounts associated with these services are subject to allocation based on standard allocation techniques and procedures acceptable under general cost accounting techniques and procedures in conformity with the NAIC's statutory accounting practices and procedures. Measures used to determine the allocation among companies includes individual employee estimates of time spent, special cost studies, the number of full-time employees, and other methods agreed to by the participating companies. The Company does not believe amounts recognized under the intercompany agreement are materially different than what would have been recognized had the Company operated on a stand-alone basis.

NOTES TO FINANCIAL STATEMENTS

G. Nature of Relationships that Could Affect Operations

Not applicable.

H. Amount Deducted for Investment in Upstream Company

Not applicable.

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

Not applicable.

J. Write-down for Impairments of Investments in Subsidiary, Controlled or Affiliated Companies

Not applicable.

K. Investment in a foreign insurance subsidiary

Not applicable.

L. Downstream Holding Company

Not applicable.

Note 11 - Debt

A. All Other Debt

Not applicable.

B. Funding Agreements with Federal Home Loan Bank (FHLB)

Not applicable.

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

A. Defined Benefit Plans

The Company participates in a qualified defined benefit pension plan and a nonqualified defined benefit supplemental executive retirement plan sponsored by the Company. The qualified plan covers all employees of participating companies who have completed at least one year of service. Plan assets are invested in a third party trust and in group annuity contracts issued by NLIC. All participants are eligible for benefits based on an account balance feature. Participants hired prior to 2002 who are least 21 years of age are eligible for benefits based on the highest average annual salary of a specified number of consecutive years of the last ten years of service, if such benefits are of greater value than the account balance feature. The Company funds pension costs accrued for direct employees plus an allocation of pension costs accrued for employees of affiliates whose work benefits the Company. The nonqualified plan covers certain executives with at least one year of service.

On November 10, 2009, the Company announced changes to the NRP. Effective January 1, 2010, the Company-paid early retirement enhancement, which is part of the final average pay formula, will be eliminated. Currently this enhancement provides an additional benefit for associates retiring between ages 55 and 65. In addition, pay credits under the account balance formula will stop. These changes affect associates eligible to receive the benefit based on the greater of the final average pay formula or the account balance formula. Affected associates' benefits cannot be less than the NRP benefit they have already received.

Pension costs charged to operations by the Company were $226.4 thousand and $309.3 thousand for the years ended December 31, 2011 and 2010, respectively. The Company recorded a prepaid pension asset of $2.0 million for the years ended December 31, 2011 and 2010.

The Pension Plan as a whole reported a pension benefit obligation for non-vested employees of $6.0 million and $8.9 million for the years ended December 31, 2011 and 2010, respectively.

The Company sponsors life and health care defined benefit plans for qualifying retirees. Postretirement life and health care benefits are contributory and generally available to full time employees, hired prior to June 1, 2000, who have attained age 55 and have accumulated 15 years of service with the Company after reaching age 40. The employee subsidy for the postretirement death benefit was capped beginning in 2007. Postretirement health care benefit contributions are adjusted annually and contain cost-sharing features such as deductibles and coinsurance. In addition, there are caps on the Company's portion of the per-participant cost of the postretirement health care benefits. The Company does not receive a Medicare Part D subsidy from the government. The Company's policy is to fund the cost of health care benefits in amounts determined at the discretion of management. Plan assets are invested in a group annuity contract issued by NLIC and a third party trust.

Effective January 1, 2010, all non-highly compensated employees (NHCE) as defined by IRC 414 will become eligible to receive an annual health care credit up to a maximum of $1,000 per year, not to exceed a maximum lifetime benefit of $25,000. The contribution will be a match of 33% of the NHCE's otherwise unmatched savings account or 401(a) contributions. No contributions will be made by the Company if the employee does not make eligible contributions.

The Company's net periodic postretirement benefit costs (NPPBC) were $(7.4) thousand and $(2.3) thousand for the years ended December 31, 2011 and 2010, respectively. The Company recorded a prepaid postretirement asset of $(54.7) thousand asset for the years ended December 31, 2011 and 2010.

The Postretirement Plan's benefit obligation for non-vested employees was $107.7 million and $92.5 million for the years ended December 31, 2011 and 2010, respectively.

NOTES TO FINANCIAL STATEMENTS

The following table summarizes benefit obligations, the fair value of plan assets, funded status and net periodic benefit cost of the pension plan and postretirement benefit plans as a whole at December 31, 2011 and 2010:

	Pension Benefits		Postretirement Benefits	
	2011	2010	2011	2010
1. Change in benefit obligation:				
a. Benefit obligation at beginning of year [1]	$3,467,531,752	$3,114,222,167	$182,423,752	$203,065,361
b. Service cost	118,815,384	108,489,513	12,149,034	12,815,714
c. Interest cost	183,334,210	180,126,612	8,945,683	9,108,577
d. Contribution by plan participants	0	0	0	0
e. Actuarial (gain) loss	695,679,768	233,348,094	16,971,883	(27,248,328)
f. Foreign currency exchange rate changes	0	0	0	0
g. Benefits paid	(174,895,709)	(168,654,634)	(16,852,262)	(15,317,572)
h. Plan amendments [1]	0	0	0	0
i. Plan curtailment	0	0	0	0
j. Acquisition	0	0	0	0
k. Benefit obligation at end of year	$4,290,465,405	$3,467,531,752	$203,638,090	$182,423,752
2. Change in plan assets				
a. Fair value of plan assets at beginning of year	$3,592,854,590	$3,440,968,388	$156,288,728	$146,224,179
b. Actual return on plan assets	491,181,502	306,681,818	6,196,802	10,064,549
c. Foreign currency exchange rate changes	0	0	0	0
d. Employer contribution	17,671,386	13,859,018	16,852,262	15,317,573
e. Plan participant's contributions	0	0	5,183,175	0
f. Benefits paid	(174,895,709)	(168,654,634)	(22,035,437)	(15,317,572)
g. Plan curtailment	0	0	0	0
h. Fair value of plan assets at end of year	$3,926,811,769	$3,592,854,590	$162,485,530	$156,288,728
3. Funded status	$(363,653,636)	$125,322,838	$(41,152,560)	$(26,135,024)
a. Unamortized prior service cost	(142,763,703)	(159,226,852)	(7,591,982)	(9,258,029)
b. Unrecognized net (gain) or loss	574,034,585	151,006,924	59,054,183	39,698,635
c. Remaining net obligation or (net asset) at initial date of application	(27,793,626)	(2,748,415)	0	0
d. Prepaid assets or (accrued liabilities)	$39,823,620	$114,354,495	$10,309,641	$4,305,582
e. Intangible asset	0	0	N/A	N/A
4. Accumulated benefit obligation for vested employees and partially vested employees to the extent vested	$3,797,507,482	$3,093,646,043	N/A	N/A
5. Benefit obligation for non-vested employees				
a. Projected benefit obligation	$6,004,702	$8,853,933	$107,740,462	$92,474,142
b. Accumulated benefit obligation	3,086,304	16,555,613	N/A	N/A
6. Components of net periodic benefit cost				
a. Service cost	$118,815,384	$108,489,513	$12,149,034	$12,815,714
b. Interest cost	183,334,210	180,126,612	8,945,683	9,108,577
c. Expected return on plan assets	(218,960,167)	(204,470,254)	(9,766,851)	(9,139,011)
d. Amortization of incremental asset	0	(7,829,496)	0	0
e. Amount of recognized (gains) and losses	430,772	0	1,186,384	907,018
f. Amount of prior service cost recognized	(16,463,149)	(16,463,149)	(1,666,047)	(1,666,047)
g. Amount of recognized (gain) or loss due to a settlement or curtailment	0	0	0	0
h. Total net periodic benefit cost	$67,157,050	$59,853,226	$10,848,203	$12,026,251

The Prior Service Cost Base established December 31, 2007 and 2006 reflects the enactment of the Pension Protection Act of 2006 on August 17, 2006. The Act provides for EGTRRA Permanence, the permanent increase in the covered pension compensation for qualified pension plans, and the three year cliff vesting for pension plans with hybrid formula features. The Act has no impact on the projected benefit obligation for the years ended December 31, 2011 and 2010.

7. A minimum pension liability is required when the actuarial present value of accumulated benefits exceeds plan assets and accrued pension liabilities. The Company recorded a minimum pension liability of $27.8 million and $2.8 million as of December 31, 2011 and 2010 , respectively.

8. The following table is the basis of measurement for plan liabilities and is relevant for items 1-4 above:

	Pension Benefits		Postretirement Benefits	
	2011	2010	2011	2010
Weighted-average assumptions as of December 31,				
a. Weighted average discount rate	4.35%	5.50%	4.05%	5.15%
b. Rate of increase in future compensation levels	Age Graded	Age Graded	Age Graded	Age Graded
c. Assumed health care cost trend rate:				
Initial rate	-	-	8.25%	8.50%
Ultimate	-	-	5.00%	5.00%
Declining period	-	-	14 Years	15 Years

NOTES TO FINANCIAL STATEMENTS

The following table is the basis of measurement for net periodic pension and post retirement costs and is relevant for item 5 above:

	Pension Benefits		Postretirement Benefits	
	2011	2010	2011	2010
a. Weighted average discount rate	5.50%	5.95%	5.15%	5.70%
b. Rate of increase in future compensation levels	Age Graded	Age Graded	Age Graded	Age Graded
c. Expected long-term rate of return on plan assets	6.25%	6.25%	6.25%	6.25%

The Aged Graded rate of increase in future compensation levels was developed in 2009 based on actual experience from 2003 through 2008. The rates range from 11% to 4% based on age of the employee.

In determining the discount rate assumptions, the Company matches projected benefit payments to published market yields as of December 31.

The expected long-term rate of return on plan assets assumption is the long-term rate the Company expects to be earned based on the plans' investment strategies. The Company employs a prospective building block approach in determining its assumptions, which may vary by plan and may change when the target investment portfolio changes. In this approach, historical and expected future returns of multiple asset classes were analyzed to develop an expected rate of return, considering expected risk free rates of return and risk premiums. The Company uses the internal Capital Market Expectations (CME) report that is based upon the strategic asset allocation of the plan assets. The long-term rate of return on plan assets that is derived from the CME will be compared to external benchmarks to ensure it is reasonable and then will be rounded to the nearest quarter percent. Given the prospective nature of this calculation, short-term fluctuations in the market do not impact the expected risk premiums and the expected rate of return on plan assets.

9. Nationwide uses December 31 as the measurement date.

10. The following table shows the assumed health care cost trend rates for postretirement benefits other than pension:

	2011	2010
Initial rate	8.50%	8.75%
Ultimate rate	5.00%	5.00%
Declining rate	14 years	15 years

11. As a result of the 2004 postretirement health plan change, the effect of a one percentage point change in the trend assumption on the accumulated postretirement benefit obligation (APBO) as a whole was not material as of December 31, 2011 and 2010 due to the plan caps.

12. The following table shows the asset allocation for the pension plan at the end of 2011 and 2010 by asset category:

13.	Target Allocation Percentage	Percentage of plan assets	
		2011	2010
Asset Category:			
Equity securities	19%	6%	19%
Debt securities	76%	81%	74%
Other	5%	13%	7%
Total	100%	100%	100%

The pension plans employ a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition. Plan language requires investment of a portion of assets in a group annuity contract backed by fixed investments with an interest rate guarantee to match liabilities for specific classes of retirees. On a periodic basis, the portfolio is analyzed to establish the optimal mix of assets given current market conditions and risk tolerance. Derivatives may be utilized for management of market risk exposures when they provide a more efficient alternative to cash market transactions.

The following table shows the asset allocation for the postretirement benefit plan at the end of 2011 and 2010 by asset category:

	Target Allocation Percentage	Percentage of plan assets	
		2011	2010
Asset Category:			
Equity securities	40%	37%	56%
Debt securities	60%	63%	44%
Other	0%	0%	0%
Total	100%	100%	100%

The postretirement benefit plan employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition. Plan investments for retiree life insurance benefits include a retiree life insurance contract issued by NLIC. Plan investments for retiree medical liabilities include both a group annuity contract issued by NLIC, backed by fixed investments with an interest rate guarantee, and a third-party trust. The investment mix is measured and monitored on an ongoing basis through regular investment reviews, annual liability measurements, and periodic asset/liability studies.

NOTES TO FINANCIAL STATEMENTS

13. The following table shows benefits expected to be paid in each of the next five fiscal years and in the aggregate for the five fiscal years thereafter:

	Pension Benefits	Postretirement Benefits
2012	$ 186,903,871	$ 17,414,409
2013	189,405,599	17,870,018
2014	193,396,094	18,378,124
2015	196,880,412	18,956,610
2016	202,696,853	19,316,473
2017-2021	1,139,473,687	98,458,718

14. The Company expects to contribute $14.2 million to the non-qualified pension plan and $17.4 million to the postretirement benefit plan in 2012. The Company does not have a required minimum funding contribution for the NRP and as of this date, has not determined the amount of any contribution.

15. Plan assets are invested in a trust with The Bank of New York Mellon as the custodian and trustee and a group annuity contract issued by Nationwide Life Insurance Company.

16. Not applicable.

17. Not applicable.

18. Not applicable.

19. Not applicable.

B. Defined Contribution Plans

The Company, together with other affiliated companies, participates in a defined contribution retirement savings plan (401(k) and PPP) covering substantially all employees. Employees make salary deferral contributions of up to 80%. Salary deferrals of up to 6% are subject to a 50% company match. The Company match is funded on a biweekly basis and the expense of such contributions are allocated to the Company based on employee contributions. For the Plan as a whole, the expense was $57.7 million and $57.6 million for 2011 and 2010, respectively. Individuals are subject to a dollar limit on salary deferrals per IRS Section 402(g) ($16,500 in 2011 and 2010, respectively). Other limits also apply.

C. Multiemployer Plans

Not applicable.

D. Consolidated/Holding Company Plans

The Company, together with other affiliated companies, participates in non-qualified deferred compensation and defined benefit arrangements for certain employees and agents. Expenses are allocated to the Company based on individual participants. Total Plan liabilities for non-qualified deferred compensation plans were $246.3 million and $250.1 million on December 31, 2011 and December 31, 2010, respectively. Total Plan liabilities for non-qualified defined benefit plans were $270.9 million and $248.8 million on December 31, 2011 and December 31, 2010, respectively. Total expense related to the non-qualified benefit plans was $17.3 million and $17.1 million for years ended December 31, 2011 and 2010, respectively.

The ASCP is a non-qualified, unfunded deferred compensation program available to eligible agents. The designated agents covered by the ASCP are not employees of the Company, but they are independent contractors exclusively representing the Company in the sale of insurance and related products. Accordingly, the Company believes it is appropriate to apply the concepts of SSAP No. 89, *Accounting for Pensions, A Replacement of SSAP No. 8*, by analogy to the ASCP.

Total liabilities related to the ASCP were $1,134.9 million and $1,316.9 million at December 31, 2011 and 2010, respectively. Total expense recorded for this program was $109.3 million and $122.9 million for the years ended December 31, 2011 and 2010, respectively.

E. Postemployment Benefits and Compensated Absences

Not applicable.

F. Impact of Medicare Modernization Act on Postretirement Benefits

In 2004 the postretirement medical plan was amended to reflect the provisions of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act), which was signed into law on December 8, 2003. The amendment integrates prescription drug benefits with the coverage provisions provided in the Act. The impact of the amendment is reflected in the accumulated postretirement benefit obligations beginning December 31, 2004. The one time expense impact of the Act was a $2.0 million decrease for 2005.

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

A. Outstanding Shares

The Company has 50,000 shares of $110 par value stock authorized and 28,000 shares issued and outstanding.

B. Dividend Rate of Preferred Stock

Not applicable.

C. Dividend Restrictions

The maximum amount of dividends which can be paid to shareholders by a State of Ohio domiciled insurance company without prior approval of the Director of Insurance is limited to, together with that of other dividends or distributions made within the preceding 12 months, the greater of either 10% of surplus as regards policyholders as of the preceding December 31, or the net income of the previous calendar year. Additionally, any dividend or distribution paid from other than earned surplus shall require prior approval of the Director of Insurance. Subject to applicable regulatory approval(s), dividends are paid as determined by the insurer's board of directors.

NOTES TO FINANCIAL STATEMENTS

D. Dividends Paid

On December 16, 2011, the Company paid extraordinary dividends of $60 million to Nationwide Mutual Insurance Company.

E. Profits Available for Ordinary Dividends

Within the limitations of (C) above, there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to shareholders.

F. Restrictions on Surplus

There is no restriction on the use of the Company's unassigned surplus and such surplus is held for the benefit of the shareholder.

G. Advances to Surplus Not Repaid

Not applicable.

H. Stock Held by Company for Special Purposes

Not applicable.

I. Changes in Special Surplus Funds

There was a $0.5 million decrease in special surplus funds from $10.4 million in 2010 to $9.9 million in 2011. This special surplus fund was established to comply with the European Union Insurance Directive 1. The Company reinsures business out of the London market that requires compliance with the regulations of the European Union. The decrease is due to the total deficit for the three companies from whom the Company assumed business declining slightly during 2010 and the strengthening of the U.S. dollar against the British pound sterling.

J. Changes in Unassigned Funds

The portion of unassigned funds (surplus) represented by cumulative unrealized capital gains is $54,173,432 less applicable deferred taxes of $7,559,188, for a net unrealized capital gain of $46,614,244.

K. Surplus Notes

Not applicable.

L. and M. Quasi Reorganizations

Not applicable.

Note 14 – Contingencies

A. Contingent Commitments

At December 31, 2011, the Company has unfunded commitments of $0.9 million related to its investments in limited partnerships and limited liability companies and $0 related to commercial mortgage loans.

As indicated in Note 10 E, the Company has made no guarantees on behalf of affiliates.

B. Guaranty Fund and Other Assessments

Not applicable.

C. Gain Contingencies

Not applicable.

D. Claims Related Extra Contractual Obligations and bad Faith Losses Stemming From Lawsuits

Not applicable.

E. Product Warranties

Not applicable.

F. All Other Contingencies

Various lawsuits arise against the Company in the normal course of the Company's business. Contingent liabilities arising from litigation and other matters are not considered material in relation to the financial position of the Company.

Note 15 – Leases

A. Lessee Leasing Arrangements

Not applicable.

B. Lessor Leasing Arrangements

Not applicable.

NOTES TO FINANCIAL STATEMENTS

Note 16 - Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk

A. Financial Instruments with Off-Balance Sheet Risk

The table below summarizes the face amount of the Company's financial instruments with off balance sheet risk.

	Assets		Liabilities	
Description	2011 Notional	2010 Notional	2011 Notional	2010 Notional
a. Swaps	-	7,778,000	-	-
b. Futures	-	-	-	-
c. Options	-	-	-	-
Totals	**$ -**	**$ 7,778,000**	**$ -**	**$ -**

B. Financial Instruments with Concentrations of Credit Risk

Notional amounts of derivative financial instruments significantly exceed the credit risk associated with these instruments and represent contractual balances on which calculations of amounts to be exchanged are based. Credit exposure is limited to the sum of the aggregate fair value of positions that have become favorable to the Company, including accrued interest receivable due from counterparties, net of collateral received.

C. Exposure to Credit-Related Losses

Potential credit losses are minimized through careful evaluation of counterparty credit standing, selection of counterparties from a limited group of high quality institutions, collateral agreements and other contract provisions.

D. Collateral Policy

Collateral requirements for over-the-counter derivative instruments are controlled by the International Swap Dealers Association and Credit Support Annex documents that are negotiated with each counterparty. Generally, these documents outline each party's rights and obligations for receiving and posting collateral. The documents address such issues as calculating collateral due/owed, delivery and return of collateral, uses and substitution for collateral, distributions and interest rights and remedies for both parties, credit thresholds and eligible collateral (typically cash, debt obligations issued by the United States Treasury, or obligations issued by government agencies). The Company monitors their collateral position on a daily basis, adjusting positions as necessary, and in accordance with the terms of these agreements. For exchange-traded future and option contracts, the broker for the various types of contracts that the Company may employ establishes margin requirements. The margin account is settled daily for changes in contracts outstanding and movements in market values of open contracts. The Company uses cash to cover the margin account requirements.

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

A. Transfers of Receivables Reported as Sales

Not applicable.

B. Transfers and Servicing of Financial Assets

1. There were no assets or liabilities obtained in transfers of financial assets where it was not practicable to estimate their fair value.

2. The Company has entered into a securities lending agreement with an agent bank whereby eligible securities may be loaned to third parties, primarily major brokerage firms. These transactions are used to generate additional income on the securities portfolio. Loaned securities continue to be reported as invested assets and the Company is entitled to receive any payments of interest or dividends paid on loaned securities. The agreement requires a minimum of 102% of the fair value of loaned securities to be held as collateral. Cash collateral received from borrowers is reflected as a "Payable for securities lending" on the "Statement of Liabilities, Surplus and Other Funds" while non-cash collateral is recorded off-balance sheet. Cash collateral received is reinvested by the agent bank in accordance with the Company's authorized investment policy and included in "Securities lending reinvested collateral assets" in the "Statement of Assets". If the fair value of the reinvested collateral assets is less than the fair value of the securities loaned, the shortfall is non-admitted. Because the borrower or the Company may terminate a securities lending transaction at any time, if loans are terminated in advance of the reinvested collateral asset maturities, the Company would repay its securities lending obligation from operating cash flows or the proceeds of sales from its investment portfolio, which includes significant liquid securities.

   The fair value of loaned securities was $24,444,508, at December 31, 2011. The Company does not hold any non-cash collateral for loaned securities as of December 31, 2011.

   Reinvested collateral assets reported on Schedule DL are excluded from other statutory schedules and disclosures.

   See Note 5 E. for additional information concerning securities lending

3. No servicing assets or liabilities were recognized during the period.

4. There were no assets securitized during the period.

5. There were no retained interests since there were no securitized financial assets.

6. There were no transfers of receivables with recourse.

C. Wash Sales

Not applicable.

Note 18 - Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

A. Administrative Services Only (ASO) Plans

Not applicable.

NOTES TO FINANCIAL STATEMENTS

B. Administrative Services Contract (ASC) Plans

Not applicable.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable.

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

Not applicable.

Note 20 – Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources while unobservable inputs reflect the Company's view of market assumptions in the absence of observable market information. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. In determining fair value, the Company uses various methods including market, income and cost approaches.

The Company categorizes its assets and liabilities measured and reported at fair value in the quarterly statement into a three-level hierarchy based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety.

The fair value hierarchy levels are as follows:

Level 1. Unadjusted quoted prices accessible in active markets for identical assets or liabilities at the measurement date.

Level 2. Unadjusted quoted prices for similar assets or liabilities in active markets or inputs (other than quoted prices) that are observable or that are derived principally from or corroborated by observable market data through correlation or other means.

Level 3. Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management's best estimate about the assumptions market participants would use at the measurement date in pricing the asset or liability. Consideration is given to the risk inherent in both the method of valuation and the valuation inputs.

The Company periodically reviews its fair value hierarchy classifications for financial assets and liabilities. Changes in observability of significant valuation inputs identified during these reviews may trigger reclassifications. Reclassifications into/out of the fair value hierarchy levels are reported as transfers at the beginning of the period in which the change occurs.

For bonds and marketable stocks for which market quotations are available, the Company generally uses independent pricing services to assist in determining the fair value measurement.

The Company's investments in corporate debt securities, mortgage-backed securities and other asset-backed securities are valued with the assistance of independent pricing services and non-binding broker quotes. The Company's policy is to give priority to pricing obtained from our primary independent pricing service. In the event that pricing information is not available from an independent pricing service, non-binding broker quotes are used to assist in the valuation of the investments. In many cases, only one broker quote is available. The Company's policy is generally not to adjust the values obtained from brokers.

Broker quotes are considered unobservable inputs as only one broker quote is ordinarily obtained, the investment is not traded on an exchange, the pricing is not available to other entities and/or the transaction volume in the same or similar investments has decreased such that generally only one quotation is available. As the brokers often do not provide the necessary transparency into their quotes and methodologies, the Company periodically performs reviews and tests to ensure that quotes are a reasonable estimate of the investments fair value.

For investments valued with the assistance of independent pricing services, the Company obtains the pricing services' methodologies, inputs and assumptions and classifies these investments accordingly in the fair value hierarchy. The Company periodically reviews and tests the pricing and related methodologies obtained from these independent pricing services against secondary sources to ensure that management can validate the investment's fair value and related fair value hierarchy categorization. If large variances are observed between the price obtained from the independent pricing services and secondary sources, the Company analyzes the causes driving the variance.

For certain bonds not priced by independent services (e.g., private placement securities without quoted market prices) a corporate pricing matrix or internally developed pricing model is most often used. The corporate pricing matrix is developed using private spreads for corporate securities with varying weighted average lives and credit quality ratings. The weighted average life and credit quality rating of a bond to be priced using the corporate pricing matrix are important inputs into the model and are used to determine a corresponding spread that is added to the appropriate U.S. Treasury yield to create an estimated market yield for that security. The estimated market yield and other relevant factors are then used to estimate the fair value of the particular bond.

NOTES TO FINANCIAL STATEMENTS

Assets and liabilities measured and reported at fair value as of December 31, 2011:

	Level 1	Level 2	Level 3	Total
Assets at Fair Value				
U.S. Government bonds	-	-	-	-
States, Territories and Possessions	-	-	-	-
Political subdivisions	-	-	-	-
Special revenues	-	10,057,761	-	10,057,761
Hybrid Securities	-	-	-	-
Credit tenant loans	-	-	-	-
Industrial & Misc.	-	56,289,470	900,000	57,189,470
Total Bonds	**$ -**	**$ 66,347,231**	**$ 900,000**	**$ 67,247,231**
Sec Lending	-	12,007,414	-	12,007,414
Preferred Stocks	-	-	-	-
Common Stocks	-	-	782,153	782,153
Loans held for sale	-	-	-	-
Separate Account Assets	-	-	-	-
Derivative Assets	-	-	-	-
Total Assets at Fair Value	**$ -**	**$ 78,354,645**	**$ 1,682,153**	**$ 80,036,798**
Liabilities at Fair Value				
Derivatives Liabilities	-	-	-	-
Total Liabilities at Fair Value	**$ -**	**$ -**	**$ -**	**$ -**

Assets and liabilities for which the Company used significant unobservable inputs (Level 3) to determine fair value measurements for the twelve months ended December 31, 2011:

		Net Investment Gain/Loss		Activity During the Period			
	Balance as of 12/31/2010	In Earnings	Unrealized in Surplus	Purchases, issuances, sales, and settlements	Transfers Into Level 3	Transfers Out of Level 3	Balance as of 12/31/2011
Assets at Fair Value							
U.S. Government bonds	-	-	-	-	-	-	-
States, Territories and Possessions	-	-	-	-	-	-	-
Political subdivisions	-	-	-	-	-	-	-
Special revenues	-	-	-	-	-	-	-
Hybrid Securities	-	-	-	-	-	-	-
Credit tenant loans	-	-	-	-	-	-	-
Industrial and miscellaneous	5,379,694	-	(600,000)	-	-	(3,879,694)	900,000
Total Bonds	**$ 5,379,694**	**$ -**	**$ (600,000)**	**$ -**	**$ -**	**$ (3,879,694)**	**$ 900,000**
Sec Lending	-	-	-	-	-	-	-
Preferred Stocks	-	-	-	-	-	-	-
Common Stocks	11,116	-	(107,552)	878,590	-	-	782,153
Loans held for sale	-	-	-	-	-	-	-
Separate Account Assets	-	-	-	-	-	-	-
Derivative Assets	-	-	-	-	-	-	-
Total Assets at Fair Value	**$ 5,390,809**	**$ -**	**$ (707,552)**	**$ 878,590**	**$ -**	**$ (3,879,694)**	**$ 1,682,153**
Liabilities at Fair Value							
Derivatives Liabilities	-	-	-	-	-	-	-
Total Liabilities at Fair Value	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Assets and liabilities for which the Company used significant unobservable inputs (Level 3) to determine fair value measurements for the three months ended December 31, 2011:

		Net Investment Gain/Loss		Activity During the Period			
	Balance as of 09/30/2011	In Earnings	Unrealized in Surplus	Purchases, issuances, sales, and settlements	Transfers Into Level 3	Transfers Out of Level 3	Balance as of 12/31/2011
Assets at Fair Value							
U.S. Government bonds	-	-	-	-	-	-	-
States, Territories and Possessions	-	-	-	-	-	-	-
Political subdivisions	-	-	-	-	-	-	-
Special revenues	-	-	-	-	-	-	-
Hybrid Securities	-	-	-	-	-	-	-
Credit tenant loans	-	-	-	-	-	-	-
Industrial and miscellaneous	5,913,456	-	(500,000)	-	-	(4,513,456)	900,000
Total Bonds	**$ 5,913,456**	**$ -**	**$ (500,000)**	**$ -**	**$ -**	**$ (4,513,456)**	**$ 900,000**
Sec Lending	-	-	-	-	-	-	-
Preferred Stocks	-	-	-	-	-	-	-
Common Stocks	655,924	-	427,126	(300,896)	-	-	782,153
Loans held for sale	-	-	-	-	-	-	-
Separate Account Assets	-	-	-	-	-	-	-
Derivative Assets	-	-	-	-	-	-	-
Total Assets at Fair Value	**$ 6,569,380**	**$ -**	**$ (72,874)**	**$ (300,896)**	**$ -**	**$ (4,513,456)**	**$ 1,682,153**
Liabilities at Fair Value							
Derivatives Liabilities	-	-	-	-	-	-	-
Total Liabilities at Fair Value	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Transfers: Level 3

Assets and liabilities are included in this roll forward table because their fair value categorizations are deemed to be Level 3 at December 31, 2011, September 30, 2011 and/or December 31, 2010 and (1) they are items consistently reported at fair value (e.g., common stocks, certain derivatives, certain separate account assets), or (2) they are items that are reported at fair value due to the application of "lower of amortized cost or fair value" rules applicable to securities with lower NAIC ratings designations. Transfers out of Level 3 were due to pricing increases on bonds previously carried at fair value now carried at amortized cost under the application of "lower of amortized cost or fair value" rules.

Note 21 - Other Items

A. Extraordinary Items

Not applicable.

NOTES TO FINANCIAL STATEMENTS

B. Troubled Debt Restructuring for Debtors

Not applicable.

C. Other Disclosures

Not applicable.

D. Uncollectible Premiums Receivable

Not applicable.

E. Business Interruption Insurance Recoveries

Not applicable.

F. State Transferable and Non-Transferable Tax Credits

Not applicable.

G. Subprime Mortgage Related Risk Exposure

In general, recent market activity has negatively impacted the valuation of securities containing sub-prime collateral, which are classifications of investments in which the Company invests. The Company evaluates many characteristics when classifying collateral as sub-prime, including credit quality of the borrower as defined by Fair Isaac Credit Organization (FICO) scores, as well as other factors, such as loan-to-value ratios and type of real estate.

As of December 31, 2011, all of the Company's exposure to investments containing sub-prime collateral is isolated to the mortgage-backed and asset-backed securities. When making investments in mortgage-backed or asset-backed securities, the Company evaluates the quality of the underlying collateral, the structure of the transaction (which dictates how losses in the underlying collateral will be distributed) and prepayment risks.

The following table identifies the general asset categories exposure to securities containing sub-prime collateral. This table also identifies the end of period unrealized gain/loss or other than temporary impairments.

	For the period ended December 31, 2011				
	Actual Cost	Book Adjusted Carry Value	Fair Value	Unrealized Gains/ (Losses)	Impairments
Mortgage loans	-	-	-	-	-
Residential mortgage backed securities	24,036,932	18,840,006	18,244,215	(595,791)	-
Commercial mortgage backed securities	-	-	-	-	-
Collateralized debt obligations	-	-	-	-	-
Structured securities	553,869	553,313	549,760	(3,553)	-
Equity investments	-	-	-	-	-
Other invested assets	-	-	-	-	-
Total subprime exposure	$ 24,590,801	$ 19,393,319	$ 18,793,975	$ (599,344)	$ -
Underwriting exposure to subprime mortgage risk through Mortgage Guaranty or Financial Guarantee	$ -	$ -	$ -	$ -	$ -

Note 22 - Events Subsequent

Subsequent events have been considered through February 10, 2012 for these statutory financial statements which are to be issued February 15, 2012. There were no events occurring subsequent to the end of the year that merited recognition or disclosure in these statements.

Note 23 – Reinsurance

A. Unsecured Reinsurance Recoverables

The Company does not have an unsecured aggregate recoverable for paid and unpaid losses, loss adjustment expenses and unearned premiums from any individual reinsurer, authorized or unauthorized, that exceeds 3% of policyholders' surplus.

B. Reinsurance Recoverable in Dispute

The Company does not have reinsurance recoverables in dispute for paid losses and loss adjustment expenses that exceed 5% of policyholders' surplus from an individual reinsurer or exceed 10% of policyholders' surplus in aggregate.

C. Reinsurance Assumed and Ceded

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

(000's)	Assumed		Ceded		Assumed Less Ceded	
	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity
a. Affiliates	$62	($3)	$0	$0	$62	($3)
b. All Others	0	0	0	0	$0	$0
c. Totals	**$62**	**($3)**	**$0**	**$0**	**$62**	**($3)**
d. Direct Unearned Premium Reserve			$0			

NOTES TO FINANCIAL STATEMENTS

2. Certain agency agreements and ceded reinsurance contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2011 are as follows:

($000's) Description	Direct	Assumed	Ceded	Net
a. Contingent Commissions	$0	$0	$0	$0
b. Sliding Scale Adjustments	0	0	0	0
c. Other Profit Commissions	0	0	0	0
d. Totals	**$0**	**$0**	**$0**	**$0**

D. Uncollectible Reinsurance

No reinsurance recoverables were written off during 2011.

E. Commutation of Ceded Reinsurance

The Company did not enter into any commutation during 2011.

F. Retroactive Reinsurance

There was no retroactive reinsurance affected during 2011.

G. Reinsurance Accounted for as a Deposit

There were no reinsurance agreements that were accounted for as deposits during 2011.

H. There was no transfer of any property and casualty run-off agreements requiring approval of regulators and qualifying under SSAP No. 62R, Property and Casualty Reinsurance, to receive property & casualty run-off accounting treatment.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

Not applicable.

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

(000's)	2011 Calendar Year Losses and LAE Incurred			2011 Loss Year	Shortage	Loss & DCC Shortage	Impact of AO on Total
Line of Business	Losses Incurred	LAE Incurred	Totals	Losses and LAE Incurred	(Redundancy)	(Redundancy)	Shortage (Redundancy)
Homeowners / Farmowners	$ 132	$ 21	$ 153	$ -	$ 153	$ 153	$ (0)
Commercial Multiple Peril	$ (3,182)	$ (24,366)	$ (27,549)	$ (0)	$ (27,549)	$ (28,164)	$ 615
Workers' Compensation	$ (3,767)	$ 350	$ (3,417)	$ -	$ (3,417)	$ (3,417)	$ 0
Other Liability	$ (527,874)	$ (210,579)	$ (738,453)	$ -	$ (738,453)	$ (736,107)	$ (2,346)
Product Liability	$ 328,731	$ 278,479	$ 607,211	$ -	$ 607,211	$ 608,259	$ (1,048)
Auto	$ (36,973)	$ (47)	$ (37,020)	$ -	$ (37,020)	$ (37,020)	$ (0)
All Others	$ 188,056	$ 15,930	$ 203,986	$ -	$ 203,986	$ 203,107	$ 879
Totals	**$ (54,878)**	**$ 59,789**	**$ 4,911**	**$ (0)**	**$ 4,911**	**$ 6,811**	**$ (1,900)**

The estimated cost of loss and loss adjustment expenses attributable to insured events of prior years increased by $4.9 million during 2011, as shown in the chart above. The shortage is primarily related to continued refinements in management's estimation process as well as emerging claim and loss patterns coupled with legal interpretation developments in jurisdictions in which the Company is exposed. The reserves carried for these claims as of December 31, 2011 are believed to be adequate based on known facts and current law, however, any future changes in these liabilities cannot now be reasonably estimated but could have a material impact on the Company's future operating results. The reserves will continue to be reviewed and updated by the Company as appropriate.

Note 26 - Intercompany Pooling Arrangements

Not applicable.

Note 27 - Structured Settlements

A. Reserves Released due to Purchases of Annuities

Not applicable.

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

Not applicable.

Note 28 - Health Care Receivables

A. Pharmaceutical Rebate Receivables

Not applicable.

B. Risk Sharing Receivables

Not applicable.

Note 29 - Participating Policies

Not applicable.

Note 30 - Premium Deficiency Reserves

The Company evaluated the need to record a premium deficiency reserve as of December 31, 2011 and determined there was no premium deficiency. This evaluation was completed on January 9, 2012. The Company does anticipate investment income when evaluating the need for premium deficiency reserves.

NOTES TO FINANCIAL STATEMENTS

Note 31 - High Deductibles

Not applicable.

Note 32 - Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

A. Tabular Discounts

Not applicable.

B. Non-Tabular Discounts

Not applicable.

C. Changes in Discount Assumptions

Not applicable.

Note 33 - Asbestos/Environmental Reserves

A. The Company has exposure to asbestos and environmental claims through either the direct issuance of general liability policies or through reinsurance assumptions. The Company estimates the full impact of its asbestos and environmental exposure by establishing case reserves when sufficient information has been developed to indicate the involvement of a specific insurance policy. In addition, incurred but not reported reserves have been established to cover additional exposures on both known and unasserted claims, primarily utilizing historical information.

This schedule includes all loss segments that now reside in the Company. The Company's asbestos and environmental related losses for each of the five most recent calendar years were as follows:

(1) **Asbestos Claims - Direct**

(2) **Asbestos Claims - Assumed**	2007	2008	2009	2010	2011
Beginning Reserves:	1,470,600,000	1,568,150,062	1,507,204,740	1,432,294,177	1,427,637,883
Incurred Loss and Loss Adj. Expense:	222,853,977	52,429,953	55,824,498	127,979,235	43,411,957
Calendar Year Payments:	125,303,915	113,375,275	130,735,061	132,635,529	135,678,447
Ending Reserve:	1,568,150,062	1,507,204,740	1,432,294,177	1,427,637,883	1,335,371,393

(3) **Asbestos Claims - Net**	2007	2008	2009	2010	2011
Beginning Reserves:	1,470,600,000	1,568,150,062	1,507,204,740	1,432,294,177	1,427,637,883
Incurred Loss and Loss Adj. Expense:	222,853,977	52,429,953	55,824,498	127,979,235	43,411,957
Calendar Year Payments:	125,303,915	113,375,275	130,735,061	132,635,529	135,678,447
Ending Reserve:	1,568,150,062	1,507,204,740	1,432,294,177	1,427,637,883	1,335,371,393

B. Bulk and IBNR Losses and LAE

(1)	Direct	None
(2)	Assumed	861,992,472
(3)	Net of Ceded Reinsurance	861,992,472

C. Case, Bulk and IBNR LAE

(1)	Direct	None
(2)	Assumed	292,795,801
(3)	Net of Ceded Reinsurance	292,795,801

D. See A above

(1) **Environmental Claims - Direct**

(2) **Environmental Claims - Assumed**	2007	2008	2009	2010	2011
Beginning Reserves:	529,100,000	493,222,483	500,335,654	423,878,481	374,362,934
Incurred Loss & Loss Adj. Expense:	(14,426,814)	38,454,738	(31,996,645)	(22,094,650)	1,357,598
Calendar Year Payments:	21,450,703	31,341,567	44,460,528	27,420,897	31,353,470
Ending Reserve:	493,222,483	500,335,654	423,878,481	374,362,934	344,367,062

(3) **Environmental Claims - Net**	2007	2008	2009	2010	2011
Beginning Reserves:	529,100,000	493,222,483	500,335,654	423,878,481	374,362,934
Incurred Loss and Loss Adj. Expense:	(14,426,814)	38,454,738	(31,996,645)	(22,094,650)	1,357,598
Calendar Year Payments:	21,450,703	31,341,567	44,460,528	27,420,897	31,353,470
Ending Reserve:	493,222,483	500,335,654	423,878,481	374,362,934	344,367,062

E. Bulk and IBNR Losses and LAE

(1)	Direct	None
(2)	Assumed	295,317,465
(3)	Net of Ceded Reinsurance	295,317,465

F. Case, Bulk and IBNR LAE

(1)	Direct	None
(2)	Assumed	121,499,014
(3)	Net of Ceded Reinsurance	121,499,014

Note 34 - Subscriber Savings Accounts

Not applicable.

NOTES TO FINANCIAL STATEMENTS

Note 35 - Multiple Peril Crop Insurance

Not applicable.

Note 36 – Financial Guaranty Insurance

A. and B. Not applicable.