PROPERTY AND CASUALTY COMPANIES - ASSOCIATION EDITION

ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2011

OF THE CONDITION AND AFFAIRS OF THE

Nationwide Mutual Insurance Company

NAIC Group Code 0140 (Current) 0140 (Prior) NAIC Company Code 23787 Employer's ID Number 31-4177100

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

Country of Domicile United States of America

Incorporated/Organized 12/06/1925 Commenced Business 04/14/1926

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, NW Ins	Mark Angelo Pizzi	Sr VP & Treasurer	David Patrick LaPaul
VP - Corp Gov & Secretary	Robert William Horner III		

OTHER

David Gerard Arango # Div Pres - Titan Ins	Anne Louise Arvia # Sr VP-NW Retirement Plans	Wesley Kim Austen President & COO - Allied
Paul Douglas Ballew # Sr VP-Chief Economist	David Alan Bano # Sr VP-Chief Claims Off	James David Benson Sr VP - Controller
Mark Allen Berven Sr VP	Pamela Ann Biesecker Sr VP-Head of Taxation	William Joseph Burke # Sr VP - NF Brand Marketing
Roger Alan Craig Sr VP-Div General Cnsl	Robert James Dickson # Sr VP -IT Strat Initiatives	Thomas Williams Dietrich # Sr VP-Dpty Gen Counsel
Gary Anthony Douglas Sr VP	Steven Michael English # Sr VP	Timothy Gerard Frommeyer Sr VP
Martha Lovette Frye Sr VP-P&C Cust Serv/Sales Sol	Mark Anthony Gaetano # Sr VP-CIO Ent Apps	Peter Anthony Golato Sr VP-Indiv Prot Bus Head
Judith Lynn Greenstein Sr VP-President-NW Bank	Daniel Gerard Greteman # Sr VP - CIO ACS	Susan Jean Gueli Sr VP - CIO NF Systems
Melissa Doss Gutierrez # Sr VP - PCIO Sales Support	Harry Hansen Hallowell Sr VP - Chief Invest Off	Jennifer Marie Hanley # Sr VP - NI Brand Marketing
Patricia Ruth Hatler Exec VP & Chief Leg & Gov Off	Gordon Elliot Hecker # Sr VP - Corporate Marketing	Eric Shawn Henderson # Sr VP - Ind Inv Bus Head
Terri Lynn Hill # Exec VP	Lawrence Allen Hilsheimer Pres/COO-NW Dir/Cust Sol	Matthew Eric Jauchius Exec VP-Chief Mkt & Strtgy Off
Michael Craig Keller Exec VP-Chief Info Officer	Gale Verdell King # Exec VP - Chief Admin Off	James Russell Korcykoski Sr VP - CIO NW Ins
Michael Patrick Leach Sr VP - CFO - P&C	Michael Allen Lex Sr VP-Pres-NW Nat Partners	Katherine Marie Liebel # Sr VP - Corporate Strategy
Michael William Mahaffey Sr VP, Chief Risk Officer	Robert Phillips McIsaac # Sr VP - Bus Trans Off	Michael Dean Miller Exec VP
Kai Vincent Monahan Sr VP - Internal Audit	Gregory Stephen Moran # Sr VP - CIO IT Infra	Sandra Lee Neely # Sr VP-Dpty General Cnsl
Robert Joseph Puccio Sr VP-Assoc Services	Stephen Scott Rasmussen CEO	Sandra Lynn Rich # Sr VP-Chief Compliance Off
Jeff Millard Rommel # Sr VP-Field Operations IC	Amy Taylor Shore # Sr VP-Field Operations EC	Mark Raymond Thresher Exec VP - CFO
Guruprasad Chitrapura Vasudeva # Sr VP - Ent. CTO	Kirt Alan Walker President & COO - Nationwide Fin	

DIRECTORS OR TRUSTEES

Lewis Jackson Alphin	James Bernard Bachmann	Arthur Irving Bell
Timothy Joseph Corcoran	Yvonne Montgomery Curl	Kenneth Dale Davis
Keith William Eckel	Fred Charles Finney	Daniel Thomas Kelley
Mary Diane Koken	Lydia Micheaux Marshall	Terry Wayne McClure
Barry James Nalebuff	Brent Rinner Porteus #	Stephen Scott Rasmussen
Jeffrey Wade Zellers		

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.

Mark Angelo Pizzi	Robert William Horner, III	David Patrick LaPaul
President & COO, Nationwide Ins	VP - Corp Governance & Secretary	Sr 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 Mutual Insurance Company (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 files a consolidated federal income tax return, which includes all eligible U.S. affiliates. In this regard, the included subsidiaries pay to the Company the amount which would have been payable on a separate return basis without regard to the alternative minimum tax. The Company pays tax due on a consolidated basis.

Of the two other sister mutual insurance companies, Nationwide Mutual Fire Insurance Company files its own consolidated returns with its subsidiaries, and Farmland Mutual Insurance Company files on an individual basis. In addition, Colonial County Mutual Insurance Company, an affiliate, files on an individual basis. Any impact of those tax filings under U.S. tax law have been reflected in the provision for income tax expense and related liabilities.

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). These conditional reserves were $17,790,663 and $22,281,892 as of December 31, 2011 and 2010, respectively.

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:

   With the exception of Nationwide Corporation, 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. Investments in subsidiaries formerly traded on a major stock exchange are stated at discounted market. Unaudited affiliated companies of the reporting entity or its affiliates are non-admitted under prescribed SAP accounting practices. Goodwill arising from the acquisition of subsidiaries or affiliated companies is amortized over a period of ten years. Unamortized goodwill at December 31, 2011 was $1.2 billion of which $447.9 million was nonadmitted because total unamortized goodwill exceeded 10% of adjusted policyholders' surplus as of the end of the prior quarter. Unamortized goodwill at December 31, 2010 was $1.4 billion of which $564.8 million was nonadmitted because total unamortized goodwill exceeded 10% of adjusted policyholders' surplus as of the end of the prior quarter.

   Nationwide Corporation is an unaudited, downstream, noninsurance holding company consisting of Nationwide Financial Services, Inc. (NFS), NWD Management Research Trust, Nationwide Global Holdings, and Nationwide Better Health. In accordance with the "look through" provisions of SSAP No. 97, *Investments in Subsidiary, Controlled, and Affiliated Entities, A Replacement of SSAP No. 88*, valuation of the admitted investment in Nationwide Corporation is based on the individual audited SCA entities owned by Nationwide Corporation, which is currently NFS. Additionally, all non-affiliated liabilities, commitments, contingencies, guarantees or obligations of Nationwide Corporation are reflected in its carrying value. The unaudited assets of Nationwide Corporation and the unaudited SCA entities of Nationwide Corporation, both of which are immaterial, are non-admitted.

NOTES TO FINANCIAL STATEMENTS

8. Other invested assets consist primarily of investments in partnerships, limited liability companies and joint ventures. Underlying investments primarily include hedge funds, private equity funds and low income housing tax credits. Except for investments in low income housing tax credit partnerships, interests are reported 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. Partnership interests in low income housing tax credits are carried at amortized cost with amortization charged to investment income over the period in which the tax benefits, primarily credits, are utilized. 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.

   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.

<u>Note 2 - Accounting Changes and Corrections of Errors</u>

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.

NOTES TO FINANCIAL STATEMENTS

Correction of Error

At December 31, 2010 a $7.9 million prior period adjustment was required to adjust deferred taxes related to the contingent surplus note offering. In 2004, when the contingent surplus note offering was initially set up the deferred taxes were not properly accounted for when it was determined the instrument should be accounted for as a derivative.

Note 3 - Business Combinations and Goodwill

A. Statutory Purchase Method

1. On January 1, 2009, the Company, along with Nationwide Mutual Fire Insurance Company and Nationwide Corporation, an affiliated company, acquired the remaining 33.5% interest in the Nationwide Financial Services, Inc. (NFS). Upon the closing of the transaction on January 1, 2009, NFS became a wholly owned, privately held subsidiary of Nationwide Corporation through a merger of NFS and NWM Merger Sub, Inc., a wholly owned subsidiary of Nationwide Corporation. On that date, all 100 of NWM Merger Sub's issued and outstanding common stock became the issued and outstanding common stock of NFS and all such shares are held by Nationwide Corporation. On the date of acquisition, statutory surplus decreased $2.9 billion as a result of the change in valuation methodology under prescribed statutory accounting practices.

   On December 31, 2008, Scottsdale Insurance Company purchased 100% of Atlantic from Traveler's. In September, 2008, Traveler's and Atlantic entered into a transfer and assumption agreement. As a result of the Agreement, Atlantic transferred all of its assets, subject to specific exception of the Retained Assets set forth in the Transfer and Assumption Agreement, and all of its liabilities to and assumed by Travelers as of the date of the sale to Scottsdale Insurance Company. The purchase of Atlantic by Scottsdale Insurance Company included the transfer of investments and premium tax recoverables totaling $8.7 million. On July 28, 2009, the Ohio Department of Insurance signed the order authorizing the redomestication of Atlantic Insurance Company from Texas to Ohio and changing the name to Freedom Specialty Insurance Company.

   In July 2008, Scottsdale Insurance Company entered into an agreement with Veterinary Pet Insurance Company (VPI) to acquire the remaining 35% interest in their outstanding shares. Based in Brea, California, VPI is the oldest and largest health insurance provider for pets in the United States offering insurance plans which reimburse eligible veterinary expenses relating to accidents, illnesses and injuries for dogs, cats, birds and exotic pets. The VPI asset acquisition solidifies the Company's position in the pet insurance market, which is available in all 50 states and the District of Columbia. Policies are underwritten by VPI in California, and in all other states by National Casualty Company.

   On August 1, 2003, the Company purchased 100% of THI Holdings, Inc. (THI) consisting of seven insurance companies. These companies are Victoria Fire & Casualty Company, Victoria Automobile Insurance Company, Victoria National Insurance Company, Victoria Specialty Insurance Company, Victoria Select Insurance Company, Titan Indemnity and Titan Insurance Company. Prior to January 1, 2010, Titan Insurance Company had a 100% quota share agreement with Titan Indemnity Company, who also had a 100% quota share agreement with Victoria Fire & Casualty Company. Victoria Fire and Casualty had a 90% quota share agreement with the Company. Effective January 1, 2010, these contracts were amended to a 100% quota share agreement between each entity and the Company. As of January 1, 2010, Victoria Fire & Casualty Company, Victoria Automobile Insurance Company, Victoria National Insurance Company, Victoria Specialty Insurance Company and Victoria Select Insurance Company were members of a pool in which Victoria Fire & Casualty Company was the lead company with 100% retrocession which was contributed to the Nationwide Pool. Effective January 1, 2011 the Victoria pool was terminated and each of the Victoria companies were added to the pool where the Company retains 83.7% of the results.

   In 2002, the Company purchased a greater interest in Nationwide Realty Investors, LLC (Nationwide Realty). The Company's ownership in Nationwide Realty increased to 95%. Nationwide Realty is an Ohio limited liability company engaged in the business of developing, owning and operating real estate investments.

2. The five transactions above were accounted for as statutory purchases.

3. The Company, along with Nationwide Mutual Fire Insurance Company and Nationwide Corporation, an affiliated company, acquired the remaining interest in NFS outstanding publicly held Class A common stock in exchange for cash consideration of $2.4 billion through its subsidiary Nationwide Corporation. The acquisition resulted in goodwill of $1.77 billion. The cost of the Freedom Specialty acquisition was $16.0 million, resulting in goodwill of $7.3 million. The cost of the VPI acquisition was $29.4 million, resulting in goodwill of $21.5 million. The cost of the THI acquisition was $140.0 million, resulting in goodwill of $5.4 million. The initial cost of the Nationwide Realty acquisition was $158.9 million resulting in goodwill of $44.4 million. In 2002, additional portions of Nationwide Realty were purchased at a cost of $36.5 million generating goodwill of $17.3 million.

4. Goodwill amortization for the year ended December 31, 2011 related to the purchases of NFS, Freedom Specialty Insurance Company, VPI, THI and Nationwide Realty was $186.3 million, $725.2 thousand, $14 million, $0.5 million and $4.5 million, respectively.

B. Statutory Merger

Not applicable.

C. Impairment Loss

Not applicable.

Note 4 - Discontinued Operations

Not applicable.

Note 5 - Investments

A. Mortgage Loans

1. The maximum and minimum lending rates for commercial mortgage loans originated during 2011 were 14.0% and 5.83%, respectively.

2. During 2011 the Company reduced interest rates on outstanding loans in the amount of $20,136,997. Interest rate reductions ranged from 1.0% to 4.41%.

3. At December 31, 2011, the maximum percentage of any one loan to the value of collateral at the time of the loan is 89.8%.

NOTES TO FINANCIAL STATEMENTS

4. As of December 31, 2011 and 2010, the Company held $9,209,615 and $20,469,460, respectively, in mortgages with interest 180 days or more past due with a recorded investment, excluding accrued interest. Total interest due on mortgages with interest more than 180 days past due as of December 31, 2011 and 2010 was $86,297 and $289,590, respectively.

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

6. Investments on loans with impairments totaled $15,951,197 and $18,651,759 at December 31, 2011 and 2010, respectively, with related allowance for credit losses of $3,149,494 and $2,507,941, respectively.

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

8. The average investment for impaired loans was $3,987,799 and $9,325,879 during 2011 and 2010, respectively.

9. There was $273,818 and $927,000 interest income recognized during 2011 and 2010, respectively, during the period the loans were impaired.

10. There was $253,236 and $927,000 interest income recognized during 2011 and 2010, respectively, on a cash basis during the period the loans were impaired.

11. Allowance for Credit Losses

Allowance for Credit Losses	12/31/2011	12/31/2010
a. Balance at beginning of period	$ 23,700,014	$ 25,716,900
b. Additions charged to operations	$ 4,618,976	$ 11,753,634
c. Direct write-downs charged against the allowances	$ 0	$ 0
d. Recoveries of amounts previously charged off	$ (12,021,804)	$ (13,770,520)
e. Balance at end of period	$ 16,297,186	$ 23,700,014

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 as of December 31, 2011 and 2010, was $105,306,985 and $103,591,408, respectively.

2. The realized capital losses related to these loans as of December 31, 2011 and 2010, was $2,738,438 and $4,760,188, respectively.

3. There were no contractual commitments to extend credit to debtors owing 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.

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	$ -	$ -	$ -

NOTES TO FINANCIAL STATEMENTS

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 year 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
02150FAA8	$ 2,147,522	$ 1,956,089	$ 191,433	$ 1,956,089	$ 1,561,427	Q4'11
74041EAC9	$ 58,263	$ 0	$ 58,263	$ 0	$ 0	Q4'11
75903AAD9	$ 10,032	$ 0	$ 10,032	$ 0	$ (0)	Q4'11
75970QAD2	$ 6,739,218	$ 6,613,494	$ 125,724	$ 6,613,494	$ 3,679,357	Q4'11
761143AD8	$ 4,707,759	$ 4,451,646	$ 256,114	$ 4,451,646	$ 3,479,950	Q4'11
872227AA1	$ 6,989,970	$ 6,654,706	$ 335,265	$ 6,654,706	$ 4,643,261	Q4'11
01448YAE3	$ 904,102	$ 629,531	$ 274,571	$ 629,531	$ 285,273	Q3 '11
126694WE4	$ 7,668,432	$ 7,173,412	$ 495,020	$ 7,173,412	$ 4,600,079	Q3 '11
32052EAA7	$ 5,553,827	$ 5,249,995	$ 303,831	$ 5,249,995	$ 3,803,478	Q3 '11
39539MAA7	$ 7,060,981	$ 6,804,884	$ 256,097	$ 6,804,884	$ 4,634,557	Q3 '11
61748HLC3	$ 11,735,039	$ 11,321,889	$ 413,150	$ 11,321,889	$ 8,598,886	Q3 '11
75115LAA5	$ 6,887,687	$ 6,077,014	$ 810,673	$ 6,077,014	$ 4,269,666	Q3 '11
761143AD8	$ 4,803,668	$ 4,738,341	$ 65,328	$ 4,738,341	$ 3,541,803	Q3 '11
872227AA1	$ 7,729,724	$ 7,592,911	$ 136,813	$ 7,592,911	$ 5,346,141	Q3 '11
12638PAB5	$ 5,628,841	$ 5,476,250	$ 152,591	$ 5,476,250	$ 3,488,058	Q2 '11
126670FB9	$ 4,124,307	$ 4,067,928	$ 56,379	$ 4,067,928	$ 3,091,215	Q2 '11
126694WE4	$ 7,938,159	$ 7,765,532	$ 172,627	$ 7,765,532	$ 5,369,231	Q2 '11
74041EAC9	$ 108,213	$ 24,717	$ 83,496	$ 24,717	$ (0)	Q2 '11
75970QAD2	$ 7,055,945	$ 6,761,759	$ 294,186	$ 6,761,759	$ 4,678,423	Q2 '11
761143AD8	$ 5,063,187	$ 4,937,388	$ 125,799	$ 4,937,388	$ 3,783,991	Q2 '11
86363GAJ3	$ 16,257,217	$ 15,766,730	$ 490,487	$ 15,766,730	$ 12,338,295	Q2 '11
021460AC4	$ 250,057	$ 132,096	$ 117,960	$ 132,096	$ 78,217	Q1 '11
12638PAB5	$ 5,819,844	$ 5,714,622	$ 105,222	$ 5,714,622	$ 4,309,430	Q1 '11
126694WE4	$ 8,461,849	$ 8,078,925	$ 382,924	$ 8,078,925	$ 6,021,810	Q1 '11
61748HLC3	$ 12,757,587	$ 12,222,473	$ 535,115	$ 12,222,473	$ 10,222,865	Q1 '11
761143AD8	$ 6,091,061	$ 5,214,659	$ 876,401	$ 5,214,659	$ 4,079,286	Q1 '11
872227AA1	$ 8,660,830	$ 8,073,405	$ 587,426	$ 8,073,405	$ 5,655,022	Q1 '11
93362FAB9	$ 9,111,617	$ 8,920,818	$ 190,799	$ 8,920,818	$ 6,747,340	Q1 '11
021460AC4	$ 460,770	$ 303,199	$ 157,570	$ 303,199	$ 126,740	Q4 '10
12638PAB5	$ 6,100,735	$ 5,915,194	$ 185,542	$ 5,915,194	$ 4,193,254	Q4 '10
126694WE4	$ 8,854,248	$ 8,618,408	$ 235,841	$ 8,618,408	$ 6,013,208	Q4 '10
32052WAC3	$ 4,884,150	$ 4,736,780	$ 147,370	$ 4,736,780	$ 4,034,903	Q4 '10
61748HLC3	$ 13,180,479	$ 13,021,231	$ 159,248	$ 13,021,231	$ 9,278,388	Q4 '10
74041EAC9	$ 4,136,810	$ 74,844	$ 4,061,965	$ 74,844	$ 13,123	Q4 '10
741382AC9	$ 1,811,237	$ 1,701,021	$ 110,216	$ 1,701,021	$ 779,000	Q4 '10
93362FAB9	$ 9,301,315	$ 9,111,617	$ 189,698	$ 9,111,617	$ 6,545,430	Q4 '10
021460AC4	$ 669,203	$ 502,211	$ 166,992	$ 502,211	$ 253,410	Q3 '10
32052WAC3	$ 5,174,185	$ 5,111,048	$ 63,137	$ 5,111,048	$ 4,086,865	Q3 '10
45254NMY0	$ 5,019,032	$ 4,887,726	$ 131,306	$ 4,887,726	$ 3,741,829	Q3 '10
74041EAC9	$ 5,034,032	$ 4,120,377	$ 913,655	$ 4,120,377	$ 171,548	Q3 '10
75115LAA5	$ 7,791,416	$ 7,761,035	$ 30,381	$ 7,761,035	$ 4,426,983	Q3 '10
785778HD6	$ 2,324,719	$ 2,252,216	$ 72,503	$ 2,252,216	$ 1,062,539	Q3 '10
872227AA1	$ 9,757,041	$ 8,985,229	$ 771,812	$ 8,985,229	$ 4,641,946	Q3 '10
01448YAE3	$ 1,681,435	$ 784,802	$ 896,633	$ 784,802	$ 126,687	Q2 '10
126694WE4	$ 9,268,692	$ 9,161,019	$ 107,674	$ 9,161,019	$ 6,316,163	Q2 '10
74040XAC8	$ 13,833,758	$ 13,668,904	$ 164,854	$ 13,668,904	$ 6,042,624	Q2 '10

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01448YAE3	$ 3,291,254	$ 1,658,520	$ 1,632,734	$ 1,658,520	$ 126,114	Q1 '10
021460AC4	$ 1,421,478	$ 779,778	$ 641,700	$ 779,778	$ 747,962	Q1 '10
07388QAH2	$ 13,571,794	$ 12,204,524	$ 1,367,270	$ 12,204,524	$ 8,038,029	Q1 '10
12638PAB5	$ 6,752,590	$ 6,603,412	$ 149,178	$ 6,603,412	$ 4,938,885	Q1 '10
126694WE4	$ 10,086,750	$ 9,446,445	$ 640,305	$ 9,446,445	$ 6,476,553	Q1 '10
61748HLC3	$ 14,528,472	$ 14,232,317	$ 296,155	$ 14,232,317	$ 10,293,889	Q1 '10
74040XAC8	$ 15,586,463	$ 13,773,095	$ 1,813,368	$ 13,773,095	$ 6,151,250	Q1 '10
87246AAG3	$ 3,686,871	$ 3,540,949	$ 145,922	$ 3,540,949	$ 1,831,970	Q1 '10
01448YAE3	$ 3,664,500	$ 3,246,680	$ 417,820	$ 3,246,680	$ 125,000	Q4 '09
12638PAB5	$ 7,303,464	$ 7,155,889	$ 147,575	$ 7,155,889	$ 5,225,329	Q4 '09
741382AC9	$ 3,240,865	$ 1,815,111	$ 1,425,754	$ 1,815,111	$ 1,338,500	Q4 '09
74040XAC8	$ 16,774,503	$ 15,586,463	$ 1,188,040	$ 15,586,463	$ 5,505,500	Q4 '09
61748HLC3	$ 15,296,407	$ 15,170,238	$ 126,169	$ 15,170,238	$ 10,829,054	Q4 '09
86363GAJ3	$ 22,721,568	$ 21,154,554	$ 1,567,014	$ 21,154,554	$ 14,154,095	Q4 '09
93362FAB9	$ 10,025,252	$ 9,301,315	$ 723,937	$ 9,301,315	$ 7,221,130	Q4 '09
01448YAE3	$ 3,163,245	$ 3,664,500	$ (501,225)	$ 3,664,500	$ 836,966	Q3 '09
021460AC4	$ 1,757,684	$ 1,635,028	$ 122,655	$ 1,635,028	$ 1,248,636	Q3 '09
02149DAJ8	$ 8,245,442	$ 7,868,934	$ 376,508	$ 7,868,934	$ 5,766,450	Q3 '09
05948KX79	$ 16,846,906	$ 16,600,455	$ 246,451	$ 16,600,455	$ 13,349,284	Q3 '09
741382AC9	$ 3,221,105	$ 3,471,909	$ (250,804)	$ 3,471,909	$ 1,818,202	Q3 '09
059512AE3	$ 39,371,004	$ 39,253,676	$ 117,328	$ 39,253,676	$ 32,765,040	Q3 '09
07386HMD0	$ 9,733,305	$ 9,340,745	$ 392,560	$ 9,340,745	$ 5,478,441	Q3 '09
12638PAB5	$ 7,978,024	$ 7,777,766	$ 200,258	$ 7,777,766	$ 5,287,683	Q3 '09
126686AC8	$ 1,698,091	$ 2,268,179	$ (570,088)	$ 2,268,179	$ 2,178,721	Q3 '09
126694WE4	$ 11,119,323	$ 10,653,516	$ 465,807	$ 10,653,516	$ 5,755,148	Q3 '09
59549RAC8	$ 6,567,971	$ 5,523,451	$ 1,044,520	$ 5,523,451	$ 5,337,046	Q3 '09
65536HCQ9	$ 7,000,874	$ 6,821,728	$ 179,145	$ 6,821,728	$ 5,355,231	Q3 '09
74040XAC8	$ 17,336,254	$ 16,774,503	$ 561,752	$ 16,774,503	$ 5,206,080	Q3 '09
74041CAB5	$ 7,305,942	$ 6,694,493	$ 611,450	$ 6,694,493	$ 1,865,002	Q3 '09
74042EAB0	$ 10,671,731	$ 9,710,602	$ 961,129	$ 9,710,602	$ 2,612,119	Q3 '09
74042WAB0	$ 8,600,880	$ 7,912,026	$ 688,854	$ 7,912,026	$ 3,901,108	Q3 '09
75115LAA5	$ 8,913,175	$ 8,863,685	$ 49,490	$ 8,863,685	$ 4,258,491	Q3 '09
87246AAH1	$ 3,885,140	$ 3,755,404	$ 129,736	$ 3,755,404	$ 1,024,968	Q3 '09
89234NAB6	$ 1,216,000	$ 3,068,465	$ (1,852,465)	$ 3,068,465	$ 1,200,778	Q3 '09
93363PAA8	$ 7,510,292	$ 7,454,148	$ 56,144	$ 7,454,148	$ 5,972,936	Q3 '09
Total			$ 31,782,269			

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	$	(7,777,888)
2. 12 Months or Longer	$	(137,234,621)

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

1. Less than 12 Months	$	158,898,626
2. 12 Months or Longer	$	303,963,497

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, and 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, 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 less than the amortized cost basis of a security then the security is deemed 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 securities lending payable. 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.

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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 $81,208,594 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 $71,335,444 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 $77,881,427 and $71,335,444, respectively, as of December 31, 2011.

	Amortized Cost	Fair Value
Under 30 day	$ 54,700,859	$ 54,700,859
60-day		
90-day		
120-day		
180-day		
<1Year	14,045,743	12,368,619
1-2 Years	1,909,926	732,989
2-3 Years		
>3 Years	7,224,900	3,532,977
	$ 77,881,427	$ 71,335,444

   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

1. The Company impaired the net book value in a real estate owned property known as Collin Creek on December 31, 2010. Collin Creek is a vacant, three-story office building containing approximately 102,219 net rentable square feet located in Plano, Collin County, Texas. The property was acquired by foreclosure on July 7, 2009, and transferred to real estate owned ownership in the Company at $7.6 million. At the time of foreclosure the asset was 100% vacant and remained 100% vacant as of December 31, 2010 with little leasing activity. The submarket the property is located in is very weak with vacancy over 25%. Based on the weak performance of the submarket and little leasing activity, the Company revised several assumptions in their valuation of the property resulting in a market value of $5.2 million, requiring an impairment of $2.2 million (NBV of the asset was $7.4 million as of December 31, 2010).

   The impairment loss on the Collin Creek property was $2.2 million. The fair value was determined by analyzing current market conditions (vacancy, capitalization rates, lease rates, etc.) and applying these assumptions to the internal valuation using ARGUS valuation software.

   The $2.2 million impairment loss is aggregated with net realized capital gains or losses in the Statement of Operations.

2. The Company sold an investment real estate property known as Center East Shops in Indianapolis, Indiana to American Property Exchange, Inc. on April 13, 2010. The property was acquired by the Company on July 16, 2009. The sale results for 2010 and 2009 were as follows:

	2010	2009
Sale Price	$1,720,000	$8,600,000
Cost of Sale	107,562	301,138
Net Sale Proceeds	1,612,438	8,298,862
Net Book Value	1,060,270	2,574,408
Gain (Loss) on NBV	$ 552,168	$5,724,454

   The Company did not hold any investment real estate property classified as held for sale at December 31, 2011 and 2010, respectively.

3. There were no changes in plans to sell real estate assets during 2011 and 2010.

4. The Company did not engage in retail land sales operations during 2011 and 2010.

5. The Company did not hold real estate investments with participating mortgage loan features during 2011 and 2010.

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
CHP New Market Investment Fund LLC	2	2014
Hudson Housing Tax Credit Fund LII LLC	10	2026
KHC New Markets Fund E CDE Leverage Fund, LLC	3	2014
Nationwide Affordable Housing Fund 33	7	2022
Nationwide Affordable Housing Fund 35	8	2023
Nationwide Affordable Housing Fund 36	9	2023
Nationwide Affordable Housing Fund 38	9	2023
Nationwide Affordable Housing Fund 46	12	2027
Nationwide Affordable Housing Fund XXIII	6	2021
Nationwide Ohio ARRA Fund	10	2025
Nationwide Tax Credit Partners 2009-G	11	2024
Ohio Equity Fund II LLC	11	2027
Ohio Equity Fund XVIII	9	2022
SunAmerica Affordable Housing Partners 138, LLC	5	2016
WNC Institutional Tax Credit Fund 36	20	2027
WNC Institutional Tax Credit Fund XXIV	8	2022
WNC Institutional Tax Credit Fund XXVII	11	2023

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. In second quarter 2011, 11 tax credit partnerships were impaired by $29.9 million due to an intent-to-sell. Fair value was determined by the purchaser's bidding price. These partnerships were sold in third quarter.

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

During 2011, second quarter, 11 tax credit partnerships were impaired by a total of $29.9 million due to an intent to sell. Fair value was determined by the purchaser's bidding price. These partnerships were sold in third quarter. Also during the second quarter, an underlying real estate property held in the NW REI affiliate was impaired by $2.4 million. The property was impaired after a third party conducted an evaluation to determine market value.

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 $308,941.

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 risks managed by using derivative instruments are foreign currency exchange, interest rate and credit risks. The Company uses cross currency swaps, currency futures, interest rate swaps, interest rate futures and credit default swaps to hedge these risks. 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. Interest rate swap payments are based of the notional of the contract; the fixed and floating leg payments are netted and exchanged periodically with the appropriate counterparty. For exchange-traded futures 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. In a credit default swap, where protection is either bought or sold on a single-name entity, periodic payments are paid or received, respectively, 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 received or paid, respectively, between the Company and the counterparty in the amount of the contract notional less a recovery rate.

NOTES TO FINANCIAL STATEMENTS

Interest Rate Risk Management: The Company uses interest rate swaps and interest rate futures to reduce and/or alter interest rate exposure arising from mismatches between assets and liabilities. Under the interest rate swap, the Company enters into a contractual agreement with various parties to exchange, at specified intervals, the difference between fixed rate and variable rate interest amounts, calculated on the notional amount of the interest rate swap. Interest rate futures are based off an underlying security that changes in value as interest rates change. As the value of the underlying referenced security changes, the promise to deliver or cash settle in the future at a fixed price through the futures contract also change to offset interest rate risk the Company faces.

Foreign Currency Risk Management: The Company, from time to time, purchases foreign-denominated fixed rate assets. The assets and the associated income are exposed to changes in the exchange rates of the foreign currencies. In an effort to mitigate this risk, the Company uses various cross-currency swap contracts. As foreign exchange rates change, the increase or decrease in the cash flows of the derivative instrument offsets the changes in the functional-currency equivalent cash flows of the asset. The Company also uses foreign currency futures contracts to hedge its exposure in other alternative investments.

Credit Risk Management: The Company enters into credit derivative contracts which allow the Company to buy credit protection on a specific creditor or credit index. Credit default swap protection is used on selected debt instruments exposed to short-term credit concerns, or because the combination of the corporate bond and purchased default protection provides sufficient spread and duration targeted by the Company.

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.

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	1,904,451,964	162,009,520	2,066,461,484	1,483,391,099	147,094,748	1,630,485,847	421,060,865	14,914,772	435,975,637
(1b) Statutory valuation allowance adjustment	-	-	-	-	-	-	-	-	-
(1c) Adjusted gross deferred tax assets	1,904,451,964	162,009,520	2,066,461,484	1,483,391,099	147,094,748	1,630,485,847	421,060,865	14,914,772	435,975,637
(2) Total deferred tax liabilities	47,731,887	39,597,325	87,329,212	51,121,780	12,329,523	63,451,303	(3,389,893)	27,267,802	23,877,909
(3) Net deferred tax asset (liability)	1,856,720,077	122,412,195	1,979,132,272	1,432,269,319	134,765,225	1,567,034,544	424,450,758	(12,353,030)	412,097,728
(4) Deferred tax assets nonadmitted	637,118,481	17,727,590	654,846,071	609,463,865	45,959,762	655,423,627	27,654,616	(28,232,172)	(577,556)
(5) Net admitted deferred tax asset (liability)	$ 1,219,601,596	$ 104,684,605	$ 1,324,286,201	$ 822,805,454	$ 88,805,463	$ 911,610,917	$ 396,796,142	$ 15,879,142	$ 412,675,284

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)	1,856,720,077	122,412,195	1,979,132,272	1,432,269,319	134,765,225	1,567,034,544	424,450,758	(12,353,030)	412,097,728
(7) Tax-effect of unrealized gains and losses	39,846,099	(23,985,028)	15,861,071	(5,128,033)	(3,858,850)	(8,986,883)	44,974,132	(20,126,178)	24,847,954
(8) Prior period adjustment	-	-	-	-	-	-	-	-	-
(9) Net tax effect without unrealized gains and losses and prior period	$ 1,816,873,978	$ 146,397,223	$ 1,963,271,201	$ 1,437,397,352	$ 138,624,075	$ 1,576,021,427	$ 379,476,626	$ 7,773,148	$ 387,249,774
(10) Change in deferred income tax									$ 387,249,774

(11) The Company has 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.	-	-	-	7,616,219	-	7,616,219	(7,616,219)	-	(7,616,219)
SSAP No. 10R, Paragraph 10.b. (the lesser of paragraph 10.b.i. and 10.b.ii. below)	766,070,750	34,894,868	800,965,618	509,930,247	30,516,178	540,446,425	256,140,503	4,378,690	260,519,193
SSAP No. 10R, Paragraph 10.b.i.	766,070,750	34,894,868	800,965,618	509,930,247	30,516,178	540,446,425	256,140,503	4,378,690	260,519,193
SSAP No. 10R, Paragraph 10.b.ii.			882,857,466			917,760,107			(34,902,641)
Paragraph 10.c	47,731,887	39,597,325	87,329,212	51,121,780	12,329,523	63,451,303	(3,389,893)	27,267,802	23,877,909
Total	$ 813,802,637	$ 74,492,193	$ 888,294,830	$ 568,668,246	$ 42,845,701	$ 611,513,947	$ 245,134,391	$ 31,646,492	$ 276,780,883

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

	12/31/2011			12/31/2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
SSAP No. 10R, Paragraph 10e.i.	-	-	-	7,616,219	-	7,616,219	(7,616,219)	-	(7,616,219)
SSAP No. 10R, Paragraph 10.e.ii. (the lesser of paragraph 10.e.ii.a. and 10.e.ii.b. below)	1,219,601,596	104,684,605	1,324,286,201	815,189,235	88,805,463	903,994,698	404,412,361	15,879,142	420,291,503
SSAP No. 10R, Paragraph 10.e.ii.a.	1,243,464,818	104,684,605	1,348,149,423	815,189,235	88,805,463	903,994,698	428,275,583	15,879,142	444,154,725
SSAP No. 10R, Paragraph 10.e.ii.b.			1,324,286,201			1,376,640,160			(52,353,959)
Paragraph 10.e.iii.	47,731,887	39,597,325	87,329,212	51,121,780	12,329,523	63,451,303	(3,389,893)	27,267,802	23,877,909
Total	$ 1,267,333,483	$ 144,281,930	$ 1,411,615,413	$ 873,927,234	$ 101,134,986	$ 975,062,220	$ 393,406,249	$ 43,146,944	$ 436,553,193
Used in SSAP No. 10R, Paragraph 10.d.									
Total Adjusted Capital			$ 9,911,568,157			$ 10,222,596,366			$ (311,028,209)
Authorized Control Level			$ 1,890,943,809			$ 1,843,237,312			$ 47,706,497

(13)

	12/31/2011			12/31/2010			Change		
	Ordinary Percent	Capital Percent	Total Percent	Ordinary Percent	Capital Percent	Total Percent	Ordinary	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%	6.10%	6.10%	15.35%	8.69%	24.04%	-15.35%	-2.59%	-17.94%

(14) Risk Based Capital Summary	12/31/2011			12/31/2010			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
SSAP No. 10R, Paragraphs 10.a., 10.b., and 10.c.:									
Admitted DTAs	813,802,637	74,492,193	$ 888,294,830	568,668,246	42,845,701	$ 611,513,947	245,134,391	31,646,492	$ 276,780,883
Admitted assets			$ 27,094,510,836			$ 27,841,092,648			$ (746,581,812)
Adjusted Statutory surplus			$ 9,911,568,157			$ 10,222,596,366			$ (311,028,209)
Total adjusted capital from DTAs			$ 9,911,568,157			$ 10,222,596,366			$ (311,028,209)
Increases due to SSAP No. 10R, Paragraph 10e.:									
Admitted DTAs	453,530,846	69,789,737	$ 523,320,583	305,258,988	58,289,285	$ 363,548,273	148,271,858	11,500,452	$ 159,772,310
Admitted assets	453,530,846	69,789,737	$ 523,320,583	305,258,988	58,289,285	$ 363,548,273	148,271,858	11,500,452	$ 159,772,310
Statutory surplus	453,530,846	69,789,737	$ 523,320,583	305,258,988	58,289,285	$ 363,548,273	148,271,858	11,500,452	$ 159,772,310

B. Unrecognized deferred tax liabilities

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

NOTES TO FINANCIAL STATEMENTS

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

	12/31/2011	12/31/2010	Change
(1) Federal	(104,761,994)	(21,611,768)	(83,150,226)
(2) Foreign Tax	(617)	(4,848)	4,231
Subtotal	$ (104,762,611)	$ (21,616,616)	$ (83,145,995)
(3) Federal income tax on net capital gains	(6,634,423)	(29,651,354)	23,016,931
(4) Utilization of capital loss carry-forwards	-	-	-
(5) Other	-	-	-
(6) Federal and foreign income taxes incurred	$ (111,397,034)	$ (51,267,970)	$ (60,129,064)

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	206,791,894	239,189,298	(32,397,404)
2) Unearned premium reserve	330,793,667	325,982,321	4,811,346
3) Policyholder reserves	-	-	-
4) Investments	93,254,202	32,463,116	60,791,086
5) Deferred acquisition costs	14,776	49,801	(35,025)
6) Policyholder dividends accrual	-	-	-
7) Fixed assets	7,008,699	32,474,027	(25,465,328)
8) Compensation and benefits accrual	668,035,432	632,263,477	35,771,955
9) Pension accrual	7,505,707	1,388,011	6,117,696
10) Receivables - nonadmitted	32,337,233	2,341,689	29,995,544
11) Net operating loss carry-forward	119,301,157	-	119,301,157
12) Tax credit carry-forward	271,003,879	103,956,001	167,047,878
13) Non-admitted miscellaneous	33,017,266	50,211,421	(17,194,155)
14) Other liabilities	-	-	-
15) Intangibles	69,248,029	-	69,248,029
16) Non-admitted premiums and agent bal	25,639,445	27,566,695	(1,927,250)
17) Other	40,500,578	35,505,242	4,995,336
Subtotal	$ 1,904,451,964	$ 1,483,391,099	$ 421,060,865
b) Statutory valuation allowance adjustment	$ -	$ -	$ -
c) Nonadmitted	$ 637,118,481	$ 609,463,865	$ 27,654,616
d) Admitted ordinary deferred tax assets	$ 1,267,333,483	$ 873,927,234	$ 393,406,249
e) Capital			
1) Investments	110,692,174	145,723,213	(35,031,039)
2) Net capital loss carry-forward	51,317,346	1,371,535	49,945,811
3) Real estate	-	-	-
4) Other	-	-	-
Subtotal	$ 162,009,520	$ 147,094,748	$ 14,914,772
f) Statutory valuation allowance adjustment	$ -	$ -	$ -
g) Nonadmitted	$ 17,727,590	$ 45,959,762	$ (28,232,172)
h) Admitted capital deferred tax assets	$ 144,281,930	$ 101,134,986	$ 43,146,944
i) Admitted deferred tax assets	$ 1,411,615,413	$ 975,062,220	$ 436,553,193
Deferred Tax Liabilities			
a) Ordinary			
1) Investments	16,150	32,198,317	(32,182,167)
2) Fixed assets	-	-	-
3) Deferred and uncollected premiums	-	-	-
4) Policyholder reserves	-	-	-
5) Pension accrual	-	-	-
6) Guaranty assessments	2,433,824	-	2,433,824
7) Unearned surcharge income	1,144,609	1,140,597	4,012
8) Prepaid expenses	-	-	-
9) Surplus note interest accrual	15,587,833	15,587,833	-
10) Section 338 gain	-	-	-
11) Unrealized miscellaneous	-	-	-
12) Compensation and benefits accrual	21,897,141	-	21,897,141
13) Other liabilities	6,058,500	-	6,058,500
14) Other	593,830	2,195,033	(1,601,203)
Subtotal	$ 47,731,887	$ 51,121,780	$ (3,389,893)
b) Capital			
1) Investments	39,597,325	12,329,523	27,267,802
2) Real estate	-	-	-
3) Other	-	-	-
Subtotal	$ 39,597,325	$ 12,329,523	$ 27,267,802
c) Deferred tax liabilities	$ 87,329,212	$ 63,451,303	$ 23,877,909
Net deferred tax assets/liabilities	$ 1,324,286,201	$ 911,610,917	$ 412,675,284

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	(111,397,034)	(51,267,970)
(2) Change in deferred income tax (without tax on unrealized gains and losses)	(387,249,774)	32,444,776
(3) Total income tax reported	$ (498,646,808)	$ (18,823,194)
(4) Income before taxes	$ (1,021,504,726)	$ 373,577,055
	35%	35%
(5) Expected income tax expense (benefit) at 35% statutory rate	$ (357,526,654)	$ 130,751,969
(6) Increase (decrease) in actual tax reported resulting from:		
a. Dividends received deduction	(1,207,610)	(2,100,317)
b. Nondeductible expenses for meals, penalties, and lobbying	2,671,629	2,410,383
c. Tax-exempt income	(38,072,793)	(64,552,359)
d. Deferred tax benefit on nonadmitted assets	613,402	(5,297,661)
e. Change in Statutory valuation allowance adjustment	-	-
f. Change in tax reserves	(959,887)	3,348,380
g. Intangibles	-	-
h. Tax credits	(98,261,935)	(82,349,056)
i. Other	(5,902,960)	(1,034,533)
(7) Total income tax reported	$ (498,646,808)	$ (18,823,194)

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	340,860,448	12/31/2011	12/31/2031
Amount of AMT tax credits	147,571	12/31/2009	N/A
	11,938,947	12/31/2010	N/A
Business credits	81,782,734	12/31/2009	12/31/2029
	84,520,619	12/31/2010	12/31/2030
	92,614,008	12/31/2011	12/31/2031

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

2011	$ -
2010	$ -

NOTES TO FINANCIAL STATEMENTS

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 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
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
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 a mutual entity and, as such, is not directly or indirectly owned or controlled by any other company, corporation, and group of companies, partnership or individual. The Company is operated by and solely in the interest of its policyholders.

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 is a party to various reinsurance agreements including a pooling agreement with several affiliated companies. See Note 26.

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 $466.8 million and $541.6 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 3, 2011, the Company entered into a repurchase agreement with Nationwide Advantage Mortgage Company (NAMC) for $175 million. On May 30, 2011, the Company increased the limits on the repurchase agreement with NAMC to $209 million. There have been principal and interest payments made during the year. The carrying value on the repurchase agreement at December 31, 2011 is $202.5 million.

On March 29, 2011, the Company made a $275 million contribution to OYS Fund, LLC, an affiliated company. On June 26, 2011, the Company contributed an additional $40 million. On December 23, 2011, the Company contributed an additional $40 million. OYS Fund, LLC is a hedge fund of funds managed by a third party.

NOTES TO FINANCIAL STATEMENTS

On May 31, 2011, the Company loaned NAMC $5 million in an unsecured promissory note with a maturity date of August 26, 2011. The note was paid off by NAMC on August 11, 2011.

During the year, $4.75 million capital contributions were made to Nationwide Realty Investors on the following dates: January 21, February 28, May 6, June 17, September 30, and October 28, 2011. On September 1, 2011, a $1.9 million capital contribution was made to Nationwide Realty Investors, and on September 15, 2011, an additional $9.5 million capital contribution was made.

On December 16, 2011, the Company received extraordinary dividends of $60 million from Nationwide Indemnity.

On December 29, 2011, the Company contributed a parcel of land worth $5 million to Nationwide Realty Investors.

Also during 2011, the Company purchased commercial mortgage loans from Nationwide Life Insurance Company, an affiliate, and Nationwide Life and Annuity Insurance Company with a book value of $35.9 million. The sales were executed at market value for cash.

During 2010 the Company made the following capital contributions: March 31, $4.75 million to Nationwide Realty Investors, Ltd. (NRI), an affiliated company; April 27, $14.5 million to Nationwide Agribusiness Insurance Company; April 30, $4.75 million to NRI; May 26, $14.25 million to NRI; June 10, $12.0 million to Nationwide Property & Casualty Insurance Company; June 10, $2.0 million to Nationwide Affinity Insurance Company of America; June 18, $16.0 million to THI Holdings Delaware, Inc.; June 28, $40.0 million to THI Holdings Delaware, Inc.; and July 30, $7.6 million to NRI.

On December 31, 2010, Nationwide Corporation issued a $272.0 million senior note to the Company in exchange for cash after which Nationwide Corporation purchased a $272.0 million surplus note to capitalize Olentangy Reinsurance, LLC, a Vermont special purpose financial captive insurance subsidiary of Nationwide Life and Annuity Insurance Company, an affiliate.

On August 4, 2010 the Company purchased a $9 million surplus debenture note from Colonial County Mutual Insurance Company. The surplus debenture note, dated August 4, 2010, bears interest at the rate of 8.1% per annum and is payable in 30 years. The surplus debenture note is payable at any time. The Texas Department of Insurance approved the issuance of the surplus debenture on July 19, 2010. Texas insurance statutes require approval by the Texas Board of Insurance before Colonial County Mutual Insurance Company can disburse interest payments.

Also during 2010, the Company purchased commercial mortgage loans from Nationwide Life Insurance Company, an affiliate, and Nationwide Life and Annuity Insurance Company.

C. Change in Terms of Intercompany Arrangements

Effective January 1, 2011, the Company changed the reinsurance arrangements under which several affiliated companies cede all their direct and assumed business to the pool. See Note 26 for details.

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 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 gross amounts due from affiliates were $1.0 billion and $192.7 million as of December 31, 2011 and 2010, respectively. The gross amounts due to affiliates were $114.1 million and $118.5 million as of 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.

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

Name	**% Common Ownership**	**Basis of Valuation Purposes and Procedures Manual of the NAIC SVO**
Nationwide Corporation (NC)	95.2%	Part 8, Section 3 (i), (ii C) and (ii D)

The Company owns 95.2% of the common stock of NC. NC is a holding company that owns U.S. Insurance, Foreign Insurance and non-insurance SCA's, and as such values each of its subsidiaries based on their underlying characteristics in accordance with SSAP No. 97, paragraph 8. NC's primary holding is Nationwide Financial Services (NFS).

NFS is carried using the "look-through" approach of an unaudited downstream noninsurance holding company SCA entity. The difference between the amount at which NC is carried and the amount of underlying equity in net assets is $447.9 million due to the goodwill in NFS being nonadmitted because it exceeds 10% of adjusted surplus.

NC carries Foreign Insurance SCA's based on audited GAAP equity adjusted to statutory and non-insurance SCA's based on audited GAAP equity. Any non-U.S. Insurance Company SCA's that do not receive a U.S. GAAP audit are non-admitted and carried at $0.

The Company's pro rata share of the carrying value of NC, comprised of NFS, is $3.5 billion at December 31, 2011.

NOTES TO FINANCIAL STATEMENTS

All other assets and liabilities of NC are insignificant.

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

In May, 2011, the Company, NFS, and NLIC extended the $600.0 million revolving variable rate credit facility upon expiration of its existing facility. The new facility matures on May 6, 2015, with an option to convert outstanding balances at maturity into a one-year term loan. The credit may be used for general corporate purposes. The Company has the option to draw funds at a variable rate based on the Eurodollar rate. The facility contains financial covenants that require Mutual to maintain a statutory surplus in excess of $7.9 billion and the debt is not to exceed 35.0% of statutory surplus, both figures determined as of the end of each fiscal quarter. A breach of these and other named covenants will impact the availability of the line for the other borrowers and may accelerate payment. The Company had no amounts outstanding under the new or existing facilities as of December 31, 2011.

On May 31 and June 15, 2011, the Company borrowed two $50 million short term notes from NFS. Both of these notes were repaid as of September 30, 2011.

The Company has entered into an agreement with its custodial bank to borrow against the cash collateral that is posted in connection with its securities lending program. This is an uncommitted facility contingent on the liquidity of the securities lending program. The borrowing facility was established to fund commercial mortgage loans that were originated with the intent of sale through securitization. The maximum amount available under the agreement is $250 million. The borrowing rate on this program is equal to one-month U.S. LIBOR reset. On July 31, 2009, the Company paid the $165.4 million principal balance on the securities lending program facility. The Company had no amounts outstanding under this agreement as of December 30, 2010. As of December 31, 2010 the Company had not provided any guarantees on such borrowings, either directly or indirectly.

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

In June 2011, the Company entered into an agreement to extend its ability to borrow with the Federal Home Loan Bank of Cincinnati. In this extension the Company purchased $0.9 million in capital stock in addition to the $40 million original purchase. This extension, which expires on June 1, 2012, allows the Company access to borrow up to $600 million, all of which is collateralized by pledged securities. The Company has $3.2 billion and $4.0 billion in eligible collateral and no amounts outstanding under the agreement as of December 31, 2011 and 2010, respectively.

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 $54.1 million and $46.3 million for the years ended December 31, 2011 and 2010, respectively. The Company recorded a prepaid pension asset of $136.3 million and $203.0 million for the years ended December 31, 2011 and 2010, respectively.

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.

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The Company's net periodic postretirement benefit costs (NPPBC) were $9.5 million and $10.3 million for the years ended December 31, 2011 and 2010, respectively. The Company recorded a prepaid postretirement asset of $32.2 million and $28.1 million asset for the years ended December 31, 2011 and 2010, respectively.

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.

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	$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.

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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

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

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on an ongoing basis through regular investment reviews, annual liability measurements, and periodic asset/liability studies.

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)) 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

Not applicable.

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.

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D. Dividends Paid

No dividends were paid by the Company during 2011 and 2010.

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

Not applicable.

J. Changes in Unassigned Funds

The portion of unassigned funds (surplus) represented by cumulative unrealized capital gains is $419,776,142 less applicable deferred taxes of ($15,861,071), for a net unrealized capital gain of $435,637,213.

K. Surplus Notes

Issued Surplus Notes

On August 5, 2009, the Company issued $700.0 million of 9.375% surplus notes in exchange for cash. The notes were issued pursuant to Rule 144A under the Securities Act of 1933 and mature August 15, 2039. The notes are not part of the legal liabilities of the Company, and are not a liability or claim against the Company or any of its assets. Interest payments are scheduled semi-annually on February 15 and August 15 of each year, commencing February 15, 2010, over the life of the surplus note with the principal due at maturity. The Director of the Ohio Department of Insurance (Director) must approve interest and principal payments before paid and only to the extent the Company has sufficient policyholder's surplus to make such payment. The 9.375% surplus note may be redeemed by the Company, with the approval of the Director, at any time for a redemption price equal to the greater of 100% of their principal amount or the sum of the present value of the remaining scheduled payments of principal and interest on the notes, discounted to the redemption date on a semi-annual basis at the Treasury Rate plus 50 basis points, as defined in the notes. Issuance costs of $7.8 million were expensed in accordance with statutory accounting principals. The notes are unsecured obligations of the Company and are expressly subordinated in right of payment to all existing and future claims and senior indebtedness, including all insurance policies and existing or future indebtedness issued, incurred, or guaranteed by the Company, including similarly subordinated obligations. In the event of a liquidation proceeding, holders of indebtedness, policy claims and prior claims would have greater preference under both the Liquidation Act and the terms of the note and, accordingly would have the right to be paid in full before any payments of interest and principal are made to the note holders. In 2011 and 2010, incurred interest expense on this note totaled $66.0 million and $66.0 million, respectively. The accumulated interest incurred through December 31, 2011 and 2010 was $159.3 million and $93.0 million, respectively. The carrying value of the notes as of December 31, 2011 is $700.0 million.

On April 5, 2004, the Company issued $400 million of 6.60% surplus notes due April 15, 2034. The notes were issued in accordance with Section 3901.72 of the Ohio Revised Code. Except as provided in Section 3901.72, the notes are not part of the legal liabilities of the Company, and are not a liability or claim against the Company or any of its assets. Interest payments are scheduled semi-annually over the life of the surplus notes with the principal due at maturity. The Director of the Ohio Department of Insurance (Director) must approve interest and principal payments before paid. The 6.60% surplus note may be redeemed by the Company, with the approval of the Director, at any time for a redemption price equal to the greater of 100% of their principal amount or the sum of the present value of the remaining scheduled payments of principal and interest on the notes, discounted to the redemption date on a semi-annual basis, as defined in the notes. Issuance costs were expensed in accordance with statutory accounting principles. In 2011 and 2010, incurred interest expense on this note totaled $26.4 million and $26.4 million, respectively. The accumulated interest incurred through December 31, 2011 and 2010 was $198.7 million and $172.3 million, respectively. The carrying value of the notes as of December 31, 2011 is $398.8 million.

On March 25, 2003, the Company issued $300 million of 7.875% surplus notes due April 1, 2033. The notes were issued in accordance with Section 3901.72 of the Ohio Revised Code. Except as provided in Section 3901.72, the notes are not part of the legal liabilities of the Company, and are not a liability or claim against the Company or any of its assets. Interest payments are scheduled semi-annually over the life of the surplus notes with the principal due at maturity. The Director of the Ohio Department of Insurance (Director) must approve interest and principal payments before paid. The 7.875% surplus note may be redeemed by the Company, with the approval of the Director, at any time for a redemption price equal to the greater of 100% of their principal amount or the sum of the present value of the remaining scheduled payments of principal and interest on the notes, discounted to the redemption date on a semi-annual basis, as defined in the notes. Issuance costs were expensed in accordance with statutory accounting principles. In 2011 and 2010, incurred interest expense on this note totaled $23.6 million and $23.6 million, respectively. The accumulated interest incurred through December 31, 2011 and 2010 was $201.1 million and $177.5 million, respectively. The carrying value of the notes as of December 31, 2011 is $293.5 million.

On November 30, 2001, the Company issued $400 million of 8.25% surplus notes due December 1, 2031. The notes were issued in accordance with Section 3901.72 of the Ohio Revised Code. Except as provided in Section 3901.72, the notes are not part of the legal liabilities of the Company, and are not a liability or claim against the Company or any of its assets. Interest payments are scheduled semi-annually over the life of the surplus notes with the principal due at maturity. The Director must approve interest and principal payments before paid. The 8.25% surplus note may be redeemed by the Company, with the approval of the Director, at any time for a redemption price equal to the greater of 100% of their principal amount or the sum of the present value of the remaining scheduled payments of principal and interest on the notes, discounted to the redemption date on a semiannual basis, as defined in the notes. Issuance costs were expensed in accordance with statutory accounting principles. In 2011 and 2010, incurred interest expense on this note totaled $33.0 million and $33.0 million, respectively. The accumulated interest incurred through December 31, 2011 and 2010 was $330.1 million and $297.1 million, respectively. The carrying value of the notes as of December 31, 2011 is $394.8 million.

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On December 2, 2008, the Company exercised its right to issue $400 million of 5.81% surplus notes due December 15, 2024. The note was originally created as a contingent note (discussed below) on December 15, 2004 through the North Front Pass-Through Trust. For the period from 12/15/04 to 12/15/14 (the "Fixed Rate Period"), the Securities will pay to its holders interest of 5.81% per annum. Thereafter, until maturity (the "Floating Rate Period"), the Securities will pay interest per annum at a rate of 3 month LIBOR, plus 2.29%. The notes were issued in accordance with Section 3901.72 of the Ohio Revised Code. Except as provided in Section 3901.72, the notes are not part of the legal liabilities of the Company, and are not a liability or claim against the Company or any of its assets. Interest payments are scheduled semi-annually over the life of the surplus notes with the principal due at maturity. The Director must approve interest and principal payments before paid. The surplus note may be redeemed by the Company, with the approval of the Director, at any time for a redemption price equal to the greater of 100% of their principal amount or the sum of the present value of the remaining scheduled payments of principal and interest on the notes, discounted to the redemption date on a semiannual basis, as defined in the notes. There were no issuance costs expensed as the note was created as a contingent note through the North Front Pass-Through Trust. In 2011 and 2010, incurred interest expense on this note totaled $23.2 million and $23.2 million, respectively. The accumulated interest incurred through December 31, 2011 and 2010 was $70.4 million and $47.2 million, respectively. The carrying value of the notes as of December 31, 2011 is $334.4 million.

L. and M. Quasi Reorganizations

Not applicable.

Note 14 – Contingencies

A. Contingent Commitments

In accordance with SSAP 5R, for all guarantees made to or on behalf of wholly-owned subsidiaries, no initial liability recognition has been made.

The Company has guaranteed the timely payment and performance of the obligations of its unconsolidated subsidiary Nationwide Indemnity Company under reinsurance agreements between Indemnity and Employers Insurance of Wausau (EIOW) and certain of its affiliated property and casualty companies. These reinsurance agreements provided for the transfer in 1998 to Nationwide Indemnity Company of loss and loss expense reserves, including reserves for asbestos and environmental claims, from EIOW and certain of its affiliated property and casualty companies. As of December 31, 2011 and 2010, losses and loss expense reserves covered by this guarantee totaled $1.4 billion and $1.8 billion, respectively, including approximately $1.2 and $1.3 billion, respectively, for asbestos and environmental claims.

The Company has guaranteed loans to its agents with various maturities issued by Nationwide Bank, a subsidiary of the Company, which totaled $89.3 million and $101.9 million at December 31, 2011 and 2010, respectively. Each guarantee requires the Company to satisfy the outstanding loan amount of any loan in the event of Agent default. Such loans are deemed to be in default when the borrower is 90 days or more past due on contractually required payments. Based on historical evidence and agent delinquency rates, the performance risk of this guarantee is possible as of December 31, 2011. However, if action is required, the impact to the Company's statutory financial position would be immaterial.

The Company has guaranteed the indebtedness of its subsidiary Nationwide Life for a term loan for servicing rights to Nationwide Advantage Mortgage Corporation (NAMC). At December 31, 2011 and 2010, the amount of the guarantee was $21.4 million and matures on November 16, 2016. Pursuant to the terms of this guarantee, the Company would be required to repay Nationwide Life in the event of default by NAMC. As of December 31, 2011, the Company's assessed performance risk of the guarantee is low. This assessment has been determined in consideration of NAMC's payment history, as NAMC is current in all payments of principal and interest.

The Company has guaranteed the indebtedness of its subsidiary NAMC for a Working Capital facility to NAMC. At December 31, 2011 and 2010, the amount of the guarantee was $3.5 million and $23.5 million, respectively. Pursuant to the terms of this guarantee, the Company would be required to repay JPM Chase in the event of default by NAMC. The guarantee expired in February 2012 and was renegotiated with Fifth Third Bank and matures on May 6, 2015. As of December 31, 2011, the Company's assessed performance risk of the guarantee is low. This assessment has been determined in consideration of NAMC'S payment history, as NAMC is current in all payments of principal and interest.

The Company has guaranteed the indebtedness of its subsidiary Nationwide Realty Investors, Ltd. (NRI) for a Working Capital Facility for NRI. At December 31, 2011 and 2010, the amount of the guarantee was $49.2 million and $49.9 million, respectively, and matures on September 26, 2012. Pursuant to the terms of this guarantee, the Company would be required to repay Huntington National Bank in the event of default by NRI. As of December 31, 2011, the Company's assessed performance risk of the guarantee is low. This assessment has been determined in consideration of NRI'S payment history, as NRI is current in all payments of principal and interest.

On January 14, 2010, the Company guaranteed the indebtedness of NRI for a Working Capital Facility for NRI. At December 31, 2011, the amount of the guaranty was $24.2 million and matures on May 6, 2015. Pursuant to the terms of this guarantee, the Company would be required to repay Fifth Third Bank in the event of default by NRI. As of December 31, 2011, the Company's assessed performance risk of the guaranty is low. This assessment had been determined in consideration of NRI's payment history, as NRI is current in all payments of principal and interest.

The Company has guaranteed full payment of workers' compensation claims for certain wholly-owned subsidiaries. The guarantee is required by the Ohio State Workers' Compensation Fund to allow smaller subsidiaries to be self insured, and pursuant to the terms of this guarantee, the Company would be required to pay $2.0 million for each accident or $2.0 million for each employee disease. Credit risk of external insurance remains with the Company. Based on historical evidence, the performance risk of this guarantee is remote as of December 31, 2011. The maximum amount of the obligation under this guarantee is not determinable.

As of December 31, 2011 and 2010, the fair value of structured settlement annuities for which the claimant is payee, but for which the Company is contingently liable, were $8.1 million and $7.3 million, respectively. The Company has committed no reserves to cover any contingent liabilities.

At December 31, 2011, the Company has unfunded commitments of $674.6 million related to its investments in limited partnerships and limited liability companies and $5.1 million related to commercial mortgage loans.

B. Guaranty Fund and Other Assessments

The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments should be accrued at the time of insolvencies. Other assessments should be accrued either at the time of assessments or in the case of premium based assessments, at the time the premiums were written. In the case of loss-based assessments, the assessments should be accrued at the time the losses are incurred.

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As of December 31, 2011 and 2010, the Company accrued a liability for guaranty fund and other assessments of $21.4 million and $31.2 million and a related premium tax benefit asset of $10.9 million and $15.8 million, respectively. These represent management's best estimates based on information received from the states in which the Company writes business and may change due to many factors including the Company's share of the ultimate cost of current insolvencies.

(1) Description	(2) Amount
Assets recognized from paid and accrued premium tax offsets and policyholder surcharges prior year-end	$ 15,819,036
Decreases current year:	
Premium tax offsets applied	$ 2,814,392
Change in accrued premium tax offsets	$ 2,139,988
Assets recognized from paid and accrued premium tax offsets and policyholder surcharges current year-end	$ 10,864,656

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 were reserved net of anticipated recoveries for $50.4 million and $52.5 million at December 31, 2011 and 2010, respectively. The Company is contingently liable under certain structured settlement agreements (See Note 27A).

The Company has also purchased annuities to fund workers' compensation indemnity claims where there has been no settlement with the claimant. The Company released its claim reserve, but remains contingently liable for the estimated life expectancy payout of $19.1 million.

Note 15 – Leases

A. Lessee Leasing Arrangements

1. The rental expense for 2011 and 2010 was approximately $67.3 million and $74.2 million, respectively.

2. At January 1, 2012, the future minimum rental payments in the aggregate and for each of the five succeeding years are $160.7 million.

3. Sale Leaseback for 2011

Not applicable.

B. Lessor Leasing Arrangements

Not applicable.

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

A. 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	1,750,000,000	1,981,000,000	1,629,865,104	1,490,915,104
b. Futures	18,738,750	175,187,500	193,984,375	12,687,500
c. Options	-	-	-	-
Totals	**$ 1,768,738,750**	**$ 2,156,187,500**	**$ 1,823,849,479**	**$ 1,503,602,604**

B. 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. 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 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.

NOTES TO FINANCIAL STATEMENTS

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 financials 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 $79,047,691 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.

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.

Fair values for the Company’s derivative instruments are determined using valuation techniques, primarily pricing models, whose inputs are predominately observable in the market. These inputs include, but are not limited to, 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 as an additional valuation input.

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.

NOTES TO FINANCIAL STATEMENTS

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.

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	-	-	-	-
Hybrid Securities	-	14,386,250	-	14,386,250
Credit tenant loans	-	-	-	-
Industrial & Misc.	-	382,666,482	55,459,055	438,125,537
Total Bonds	**$ -**	**$ 397,052,732**	**$ 55,459,055**	**$ 452,511,787**
Sec Lending	-	9,801,439	-	9,801,439
Preferred Stocks	-	-	270,855	270,855
Common Stocks	35,396,877	-	45,774,095	81,170,972
Loans held for sale	-	-	32,681,269	32,681,269
Separate Account Assets	-	-	-	-
Derivative Assets	7,640,026	112,595,441	-	120,235,467
Total Assets at Fair Value	**$ 43,036,903**	**$ 519,449,611**	**$ 134,185,274**	**$ 696,671,789**
Liabilities at Fair Value				
Derivatives Liabilities	19,198,344	136,426,856	-	155,625,200
Total Liabilities at Fair Value	**$ 19,198,344**	**$ 136,426,856**	**$ -**	**$ 155,625,200**

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	68,043,585	(274,571)	4,903,722	4,183,376	9,251,830	(30,648,887)	55,459,055
Total Bonds	**$ 68,043,585**	**$ (274,571)**	**$ 4,903,722**	**$ 4,183,376**	**$ 9,251,830**	**$ (30,648,887)**	**$ 55,459,055**
Sec Lending	-	-	-	-	-	-	-
Preferred Stocks	256,581	-	14,274	-	-	-	270,855
Common Stocks	40,424,102	-	337,602	5,646,704	-	(634,313)	45,774,095
Loans held for sale	33,022,812	3,656,935	-	(3,998,478)	-	-	32,681,269
Separate Account Assets	-	-	-	-	-	-	-
Derivative Assets	-	-	-	-	-	-	-
Total Assets at Fair Value	**$ 141,747,080**	**$ 3,382,364**	**$ 5,255,598**	**$ 5,831,602**	**$ 9,251,830**	**$ (31,283,200)**	**$ 134,185,274**
Liabilities at Fair Value							
Derivatives Liabilities	-	-	-	-	-	-	-
Total Liabilities at Fair Value	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

NOTES TO FINANCIAL STATEMENTS

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	66,017,392	-	(831,181)	(1,179,643)	-	(8,547,512)	55,459,055
Total Bonds	**$ 66,017,392**	**$ -**	**$ (831,181)**	**$ (1,179,643)**	**$ -**	**$ (8,547,512)**	**$ 55,459,055**
Sec Lending	-	-	-	-	-	-	-
Preferred Stocks	267,850	-	3,005	-	-	-	270,855
Common Stocks	44,270,021	-	1,344,340	(883,303)	1,043,038	-	45,774,095
Loans held for sale	31,611,120	-	1,217,935	(147,786)	-	-	32,681,269
Separate Account Assets	-	-	-	-	-	-	-
Derivative Assets	-	-	-	-	-	-	-
Total Assets at Fair Value	**$ 142,166,382**	**$ -**	**$ 1,734,099**	**$ (2,210,732)**	**$ 1,043,038**	**$ (8,547,512)**	**$ 134,185,274**
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. Transfers into Level 3 were due to pricing decreases on bonds previously carried at amortized cost now carried at fair value under the application of “lower of amortized cost or fair value” rules.

Note 21 - Other Items

A. Extraordinary Items

Not applicable.

B. Troubled Debt Restructuring for Debtors

Not applicable.

C. Other Disclosures

In August, 2011, the Company entered into the California Earthquake Authority (CEA). Exposure to certain potential losses from earthquakes in California is limited by the Company’s participation in the CEA, which provides insurance for California earthquake losses.

Should losses arising from an earthquake cause a deficit in the CEA, additional funding would be obtained from the proceeds of revenue bonds the CEA may issue, an existing reinsurance layer and finally, if needed, assessments on participating insurance companies, to restore the CEA capital to the statutory minimum-capital level of $350 million. All future assessments on participating CEA insurers are based on their CEA market share as of December 31 of the preceding year. As the Company did not participate in the prior year, the Company’s possible CEA assessment cannot be reasonably estimated as of December 31, 2011.

Additionally, based on the Company’s earthquake-insurance risk profile, the Company may be required to pay risk-capital surcharges in addition to its required capital contribution and any required loss assessments. The Company’s earthquake-insurance risk profile is determined by the CEA and indicates the likelihood and magnitude of additional CEA losses from insuring the Company’s book of business during its first full year of CEA participation. As of December 31, 2011, a risk profile has not been completed; therefore a risk-capital surcharge cannot be estimated.

On May 31, 2011, the Catastrophe Bonds issued in June 2008 related to the Company’s Caelus Re I, expired. The Company has replaced this coverage through traditional reinsurance layers.

The Company and certain of its affiliates entered into an agreement with Caelus Re II, Cayman Islands Special Purpose Reinsurance Vehicle, for the purpose of securing collateralized, multi-year property catastrophe loss protection through the capital markets. In May 2010, Caelus Re II issued Catastrophe Bonds, which provide reinsurance coverage to the Company for events including hurricanes and earthquakes. The Catastrophe Bonds are indemnity trigger based bonds where the Company recovers losses in excess of a specified level of catastrophic claims, which is reset annually. The Caelus Re II bond had an attachment point of $2.0 billion and $2.2 billion as of December 31, 2011 and 2010, respectively. In 2011 and 2010, the Company did not receive any recoveries and paid $12 million and $6 million, respectively, to Caelus Re II for this coverage. The agreement expires in May, 2013.

D. Uncollectible Premiums Receivable

Not applicable.

E. Business Interruption Insurance Recoveries

Not applicable.

NOTES TO FINANCIAL STATEMENTS

F. State Transferable and Non-Transferable Tax Credits

1.

Description of State Transferable Tax Credits	State	Carrying Value	Unused Amount
Mayberry Solar, LLC	GA	$ 322,742	$ 815,838
Total		$ 322,742	$ 815,838

Description of State Non-Transferable Tax Credits	State	Carrying Value	Unused Amount
Mayfair Mill LLC	AR, NC	$ 39,267	$ 38,440
Patrick Henry Lofts (611 Jefferson SIF, LLC)	VA	$ 4,751,534	$ -
South Carolina State Tax Credit Partners LLC	SC	$ 1,248,577	$ 1,193,244
Total		$ 6,039,378	$ 1,231,684

2. The Company estimated the utilization of the remaining transferable state tax credits by projecting future premium taking into account policy growth and rate changes, projecting future tax liability based on projected premium, tax rates and tax credits, and comparing projected future tax liability to the availability of remaining transferable state tax credits.

3. Impairment Loss – No impairments were recognized.

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 the 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	65,003,634	40,325,476	39,401,039	(924,437)	419,911
Commercial mortgage backed securities	-	-	-	-	-
Collateralized debt obligations	-	-	-	-	-
Structured securities	8,810,507	7,575,786	6,999,180	(576,606)	56,379
Equity investments	-	-	-	-	-
Other invested assets	-	-	-	-	-
Total subprime exposure	$ 73,814,141	$ 47,901,262	$ 46,400,219	$ (1,501,043)	$ 476,290
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 21, 2012.

On September 29, 2011, the Company announced that it had entered into a definitive agreement pursuant to which Harleysville Mutual Insurance Company (Harleysville Mutual) and Harleysville Group Inc. (Harleysville Group and, collectively with Harleysville Mutual, Harleysville) will merge with the Company. Under the terms of the agreement, Harleysville Mutual policyholders will become policyholders and members of the Company, and the Company will acquire all of the publicly held shares of common stock of Harleysville Group for $60 per share in cash. Subject to customary closing conditions, including, among others, approval from various regulatory bodies, stockholders of Harleysville Group and policyholders of Harleysville Mutual and the Company, the transaction is expected to close in 2012. Upon closing, Harleysville Group would be a wholly-owned subsidiary of the Company. Harleysville, based in Harleysville, Pennsylvania, provides property and casualty insurance and life insurance products to customers through independent agents.

Note 23 – Reinsurance

A. Unsecured Reinsurance Recoverables

The Company has unsecured aggregate reinsurance recoverable for paid and unpaid losses, loss adjustment expenses, and unearned premiums from an individual reinsurer that exceeds 3% of policyholders' surplus in the amount of $508,330,670. The amount is shown below by reinsurer.

NAIC Company Code	Reinsurer	FEIN#	Unsecured Reinsurance
00000	Michigan Claims Cat Fund	AA-9991159	$484,927,725

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.

NOTES TO FINANCIAL STATEMENTS

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	$4,817,833	$737,785	$1,237,346	$203,955	$3,580,487	$533,830
b. All Others	53,831	8,431	41,890	3,227	$11,941	$5,203
c. Totals	**$4,871,664**	**$746,215**	**$1,279,236**	**$207,182**	**$3,592,428**	**$539,033**
d. Direct Unearned Premium Reserve			$1,108,792			

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	$22,762	$209,412	$36,866	$195,308
b. Sliding Scale Adjustments	0	0	0	0
c. Other Profit Commissions	0	0	0	0
d. Totals	**$22,762**	**$209,412**	**$36,866**	**$195,308**

D. Uncollectible Reinsurance

During 2011, the Company has written off reinsurance balances due from the companies listed below in the amount of $184,979, which is reflected as:

Statement of Income Account	Amount
1. Losses Incurred	$184,979
2. Loss adjustment expenses Incurred	-
3. Premiums earned	-
4. Other	-
Total	$184,979

Reinsurer	Amount
Excess Casualty Reinsurance Association	$770
Classic Fire & Marine Ins Co.	$38,912
Genereal Reinsurance Co.	$92,804
St. Paul Reins Co.	$52,493
	$184,979

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

A. Method Used to Estimate

The Company sells accident and health policies for which the premiums vary based on loss experience. Future premium adjustments for these retrospective policies are estimated and accrued. The Company estimates these accrued retrospective premium adjustments through the review of each individual retrospectively rated risk, comparing case basis loss development with that anticipated in the policy contracts to arrive at the best estimates of return or additional premiums.

B. Method Used to Record

The Company records retrospective premium accruals as earned by adjusting unearned premiums. These amounts are not recorded as premiums written until they are billed to the policyholders. Return premiums are recorded as liabilities and additional premiums are recorded as assets.

C. Amount and Percent of Net Retrospective Premiums

Net premiums written for the current year on retrospective accident and health policies were $612,604 or 0.4% of accident and health premiums written.

D. Medical Loss Ratio Rebates

Not applicable.

NOTES TO FINANCIAL STATEMENTS

E. Calculation of Nonadmitted Accrued Retrospective Premiums

Not applicable.

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

(000's) Line of Business	2011 Calendar Year Losses and LAE Incurred: Losses Incurred	LAE Incurred	Totals	2011 Loss Year Losses and LAE Incurred	Shortage (Redundancy)	Loss & DCC Shortage (Redundancy)	Impact of AO on Total Shortage (Redundancy)
Homeowners / Farmowners	$2,076,602	$250,514	$2,327,116	$2,412,321	($85,206)	($81,288)	($3,918)
Commercial Multiple Peril	743,167	151,391	894,559	971,417	(76,859)	($81,270)	$4,411
Workers' Compensation	135,675	18,870	154,545	154,331	214	$660	($446)
Other Liability	257,916	155,366	413,282	547,231	(133,949)	($149,808)	$15,859
Product Liability	57,033	23,579	80,612	50,259	30,352	$29,870	$483
Auto	4,069,707	706,887	4,776,594	4,855,073	(78,479)	($98,831)	$20,352
All Others	475,025	42,799	517,825	482,476	35,348	31,999	$3,349
Totals	**$7,815,125**	**$1,349,406**	**$9,164,531**	**$9,473,108**	**($308,577)**	**($348,668)**	**$40,091**

The estimated cost of loss and loss adjustment expenses attributable to insured events of prior years decreased by $308.6 million (3.8% of prior year reserves) during 2011, as shown in the chart above. The redundancy was primarily associated with the homeowners/farmowners, commercial multiple peril and other liability lines of business. The favorable impacts are primarily due to improvements in underwriting/mix of business, claims process improvements, favorable development on weather/CAT claims, and the increased adequacy of case reserve levels.

Note 26 - Intercompany Pooling Arrangements

Effective January 1, 2011 the following companies became participants in a pooling reinsurance agreement with the Company whereby the Company retains 83.7% of the pool results: Nationwide Mutual Fire Insurance Company (NAIC # 23779), Scottsdale Insurance Company (NAIC # 41297), Farmland Mutual Insurance Company (NAIC # 13838), Nationwide General Insurance Company (NAIC # 23760), Nationwide Property & Casualty Insurance Company (NAIC # 37877), Nationwide Affinity Insurance Company of America (NAIC # 26093), Crestbrook Insurance Company (NAIC # 18961), Allied Insurance Company of America (NAIC # 10127), AMCO Insurance Company (NAIC # 19100), Allied Property & Casualty Insurance Company (NAIC # 42579), Depositors Insurance Company (NAIC # 42587), Nationwide Agribusiness Insurance Company (NAIC # 28223), Victoria Fire & Casualty Insurance Company (NAIC # 42889), Victoria Automobile Insurance Company (NAIC # 10644), Victoria Specialty Insurance Company (NAIC # 10777), Victoria Select Insurance Company (NAIC # 10105), and Victoria National Insurance Company (NAIC # 10778).

All lines of business are subject to the pooling agreement.

There are no discrepancies related to the pooled business between the assumed and ceded reinsurance schedules of the pool participants.

The following companies are covered under a 100% quota share reinsurance agreement with the Company: Nationwide Assurance Company, Titan Insurance Company, Titan Indemnity Company, Nationwide Lloyds Insurance Company, Nationwide Insurance Company of America, National Casualty Company, and Colonial County Mutual Insurance Company. The Company then cedes this business into the Nationwide Pool.

Scottsdale Surplus Lines Insurance Company, Western Heritage Insurance Company, Scottsdale Indemnity Company and Freedom Specialty Insurance Company are covered under a 100% quota share reinsurance agreement with Scottsdale Insurance Company. Scottsdale Insurance Company then cedes this business to the Company.

The Company is the lead company in the Nationwide Pool. The companies receiving business from the Nationwide Pool are:

	NAIC #	POOL
Nationwide Mutual Insurance Company (Lead Insurer)	23787	83.7%
Nationwide Mutual Fire Insurance Company	23779	11.3%
Scottsdale Insurance Company	41297	4.0%
Farmland Mutual Insurance Company	13838	1.0%

Amounts due to/from the lead entity and pool participants as of December 31, 2011:

Name of Insurer	Amounts Receivable	Amounts Payable
Nationwide Mutual Insurance Company (Lead Insurer)	$ 905,336,376	$ 31,254,615
Nationwide Mutual Fire Insurance Company	$ 6,905,610	$ 313,043,439
Scottsdale Insurance Company	$ 28,343,668	$ -
Farmland Mutual Insurance Company	$ 36,457,203	$ 15,973,668
Nationwide General Insurance Company	$ 297	$ 118,678,238
Nationwide Property & Casualty Insurance Company	$ 5,419,953	$ 265,047,950
Nationwide Affinity Insurance Company of America	$ 2,259,935	$ 147,848,288
Crestbrook Insurance Company	$ 62,589	$ 27,853
Allied Insurance Company of America	$ -	$ 3,164
AMCO Insurance Company	$ 9,141,273	$ 128,654,533
Allied Property & Casualty Insurance Company	$ 1,054,719	$ 7,806,700
Depositors Insurance Company	$ 527,922	$ 1,168,163
Nationwide Agribusiness Insurance Company	$ 60,588,552	$ 1,821,314
Victoria Fire & Casualty Insurance Company	$ 5,220,175	$ 21,549,997
Victoria Automobile Insurance Company	$ 640,653	$ 824,508
Victoria Specialty Insurance Company	$ 1,427,466	$ 3,668,438
Victoria Select Insurance Company	$ 1,188,464	$ 2,365,167
Victoria National Insurance Company	$ 1,979	$ 360

NOTES TO FINANCIAL STATEMENTS

Note 27 - Structured Settlements

A. Reserves Released due to Purchases of Annuities

The Company has settled certain losses with structured settlement agreements whereby the Company has purchased an annuity with the claimant as the payee. Certain of these annuities are without qualified assignments. The Company is contingently liable under the settlement agreements without qualified assignments if the annuity-issuing company is unable to meet the payment obligations to the Company's claimant under the settlement agreement. The amortized value of the annuities under such agreements for direct losses as of December 31, 2011 and 2010 is $126.3 million and $135.2 million, respectively.

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

There were no annuity insurers with balances due greater than 1% of policyholders' surplus in 2011.

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.

Note 31 - High Deductibles

Not applicable.

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

The Company discounts the liabilities for unpaid losses and loss expenses for long-term accident and health claims. The Company does not discount incurred but not reported (IBNR). Different companies service our long-term accident and health unpaid disability claims and supply the reserves and tabular discount; thus, different methodologies have been utilized. The Company does not have any non-tabular discount.

A. Tabular Discounts

1. 1987 Commissioner's Group Disability Table (CGDT)

2. For the 1987 CGDT, rate used was the maximum interest rate permitted by law in the valuation of a single premium immediate annuity issued on the same date as the claim incurral date, reduced by one hundred basis points (rates used vary from 4.00% to 10.25%).

3. The December 31, 2011 liabilities include $3,037,447 of such discounted reserves.

4. The amount of tabular interest discount for Other (including Credit, Accident and Health) is $520,553.

B. Non-Tabular Discounts

The Company does not have any non-tabular discount.

C. Changes in Discount Assumptions

None.

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	2007	2008	2009	2010	2011
Beginning Reserves:	$ 48,270,972	$ 42,735,758	$ 40,044,146	$ 36,976,892	$ 37,818,773
Incurred Loss and Loss Adj. Expense:	$ (821,049)	$ 860,218	$ 2,201,773	$ 6,459,174	$ 1,486,565
Calendar Year Payments:	$ 4,714,165	$ 3,551,830	$ 5,269,025	$ 5,617,292	$ 5,493,933
Ending Reserve:	$ 42,735,758	$ 40,044,146	$ 36,976,892	$ 37,818,773	$ 33,811,404

(2) Asbestos Claims - Assumed	2007	2008	2009	2010	2011
Beginning Reserves:	$ 101,090,000	$ 117,932,940	$ 123,588,264	$ 134,236,644	$ 136,542,821
Incurred Loss and Loss Adj. Expense:	$ 23,193,070	$ 13,316,621	$ 21,085,429	$ 15,500,000	$ 857,202
Calendar Year Payments:	$ 6,350,130	$ 7,661,297	$ 10,437,049	$ 13,193,823	$ 2,441,677
Ending Reserve:	$ 117,932,940	$ 123,588,264	$ 134,236,644	$ 136,542,821	$ 134,958,347

NOTES TO FINANCIAL STATEMENTS

(3) **Asbestos Claims - Net**

	2007	2008	2009	2010	2011
Beginning Reserves:	$ 8,288,706	$ 7,262,816	$ 7,269,076	$ 7,251,699	$ 7,704,639
Incurred Loss and Loss Adj. Expense:	$ (331,257)	$ 311,926	$ 205,539	$ 1,285,524	$ (321,748)
Calendar Year Payments:	$ 694,632	$ 305,666	$ 222,916	$ 832,584	$ 260,984
Ending Reserve:	$ 7,262,816	$ 7,269,076	$ 7,251,699	$ 7,704,639	$ 7,121,907

B. Bulk and IBNR Losses and LAE

(1)	Direct	$ 25,679,811
(2)	Assumed	$ 108,177,426
(3)	Net of Ceded Reisurance	$ 5,859,335

C. Case, Bulk and IBNR LAE

(1)	Direct	$ 17,888,235
(2)	Assumed	$ -
(3)	Net of Ceded Reisurance	$ 2,992,275

D. See A above

(1) **Environmental Claims - Direct**

	2007	2008	2009	2010	2011
Beginning Reserves:	$ 29,827,922	$ 26,907,809	$ 25,400,193	$ 24,156,883	$ 23,539,193
Incurred Loss & Loss Adj. Expense:	$ 2,548,303	$ 775,091	$ 599,410	$ 911,405	$ (136,544)
Calendar Year Payments:	$ 5,468,417	$ 2,282,707	$ 1,842,720	$ 1,529,096	$ 1,688,011
Ending Reserve:	$ 26,907,809	$ 25,400,193	$ 24,156,883	$ 23,539,193	$ 21,714,638

(2) **Environmental Claims - Assumed**

	2007	2008	2009	2010	2011
Beginning Reserves:	$ 72,910,000	$ 88,003,157	$ 100,396,689	$ 67,419,523	$ 41,506,818
Incurred Loss & Loss Adj. Expense:	$ 13,003,404	$ 13,723,305	$ (32,026,862)	$ (21,000,000)	$ (1,713,536)
Calendar Year Payments:	$ (2,089,753)	$ 1,329,773	$ 950,304	$ 4,912,705	$ 1,571,824
Ending Reserve:	$ 88,003,157	$ 100,396,689	$ 67,419,523	$ 41,506,818	$ 38,221,458

(3) **Environmental Claims - Net**

	2007	2008	2009	2010	2011
Beginning Reserves:	$ 24,082,828	$ 21,539,030	$ 20,426,658	$ 21,046,935	$ 20,507,262
Incurred Loss and Loss Adj. Expense:	$ 2,547,954	$ 768,151	$ 2,221,151	$ 909,284	$ 395,915
Calendar Year Payments:	$ 5,091,752	$ 1,880,524	$ 1,600,874	$ 1,448,958	$ 1,620,826
Ending Reserve:	$ 21,539,030	$ 20,426,658	$ 21,046,935	$ 20,507,262	$ 19,282,350

E. Bulk and IBNR Losses and LAE

(1)	Direct	$ 17,584,565
(2)	Assumed	$ 27,213,193
(3)	Net of Ceded Reisurance	$ 15,484,500

F. Case, Bulk and IBNR LAE

(1)	Direct	$ 8,341,664
(2)	Assumed	$ -
(3)	Net of Ceded Reisurance	$ 7,022,430

Note 34 - Subscriber Savings Accounts

Not applicable.

Note 35 - Multiple Peril Crop Insurance

Not applicable.

Note 36 – Financial Guaranty Insurance

A. and B. Not applicable.