



PROPERTY AND CASUALTY COMPANIES - ASSOCIATION EDITION

ANNUAL STATEMENT

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

Scottsdale Insurance Company

NAIC Group Code 0140 0140 NAIC Company Code 41297 Employer's ID Number 31-1024978
(Current) (Prior)

Organized under the Laws of _____ (Current) (Prior) _____, State of Domicile or Port of Entry _____ Ohio _____, United States of America _____ Ohio _____
Country of Domicile _____

Incorporated/Organized 01/04/1982 Commenced Business 07/01/1982

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

Mail Address One West Nationwide Blvd., 1-04-701, Columbus , OH 43215-2220
(Street and Number or P.O. Box) (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 , 614-249-1545
(City , State , Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.scottsdaleins.com

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

ANSWER

President & COO Michael Dean Miller VP & Treasurer Peter Whitney Harper
VP & Asst. Secretary Randall Lee Orr VP & Secretary Robert William Harper III

OTHER

Pamela Ann Biesecker Sr VP-Head of Taxation Thomas Williams Dietrich Sr VP-Div General Counsel John Edward Goodloe Sr VP
Craig Edward Landi Sr VP-Underwriting Gary Lynn Tiepelman Sr VP-Underwriting Susan Feola Wain Sr VP-Claims

DIRECTORS OR TRUSTEES

Peter Whitney Harper Michael Dean Miller Doreen Katherine Reinke
Coco Lynn Thompson Gunner Foothills Weiss

State of Arizona County of Maricopa 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.

Michael Dean Miller
President & COO

Randall Lee Orr
VP & Asst Secretary

Peter Whitney Harper
VP & Treasurer

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

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

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D)	891,782,192		891,782,192	905,098,679
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	199,843,451		199,843,451	199,281,926
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	3,193,281		3,193,281	3,352,499
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances)				
4.2 Properties held for the production of income (less \$ encumbrances)				
4.3 Properties held for sale (less \$ encumbrances)				
5. Cash (\$ (49,791,158) , Schedule E - Part 1), cash equivalents (\$, Schedule E - Part 2) and short-term investments (\$ 64,257,609 , Schedule DA)	14,466,451		14,466,451	77,760,283
6. Contract loans (including \$ premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)				139,186
9. Receivable for securities				
10. Securities lending reinvested collateral assets (Schedule DL)	14,652,947		14,652,947	355,352
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	1,123,938,322		1,123,938,322	1,185,987,925
13. Title plants less \$ charged off (for Title insurers only)				
14. Investment income due and accrued	9,052,347		9,052,347	9,759,640
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	238,586,325	71,840,899	166,745,426	298,126,940
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)	90,160,913	391,795	89,769,118	80,682,820
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	166,225,695		166,225,695	118,498,649
16.2 Funds held by or deposited with reinsured companies	1,432		1,432	2,100
16.3 Other amounts receivable under reinsurance contracts				1,386,350
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon	4,796,659		4,796,659	
18.2 Net deferred tax asset	40,675,908	3,929,080	36,746,828	31,881,425
19. Guaranty funds receivable or on deposit	1,034,544		1,034,544	1,628,034
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				388
23. Receivables from parent, subsidiaries and affiliates	141,934,234	5,324	141,928,910	35,091,264
24. Health care (\$) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	24,081,663	16,845,648	7,236,015	2,084,177
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	1,840,488,042	93,012,746	1,747,475,296	1,765,129,712
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	1,840,488,042	93,012,746	1,747,475,296	1,765,129,712
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)				
2501. Miscellaneous assets	7,278,279	42,264	7,236,015	2,084,177
2502. Deposits and prepaid assets	8,050,790	8,050,790		
2503. Other assets nonadmitted	8,752,594	8,752,594		
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	24,081,663	16,845,648	7,236,015	2,084,177

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY
LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8) .....	.310,802,977	323,903,492
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6) .....	.89,196,665	.77,334,849
3. Loss adjustment expenses (Part 2A, Line 35, Column 9) .....	.66,904,127	.67,844,578
4. Commissions payable, contingent commissions and other similar charges .....	.14,869,803	.12,481,054
5. Other expenses (excluding taxes, licenses and fees) .....	.3,806,406	.3,357,321
6. Taxes, licenses and fees (excluding federal and foreign income taxes) .....	.2,981,913	.4,433,545
7.1 Current federal and foreign income taxes (including \$ on realized capital gains (losses)) .....		.8,340,644
7.2 Net deferred tax liability		
8. Borrowed money \$ and interest thereon \$		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$966,935,545 and including warranty reserves of \$ 1,796,981 and accrued accident and health experience rating refunds including \$ for medical loss ratio rebate per the Public Health Service Act) .....	.224,670,185	.221,431,823
10. Advance premium .....	.4,580,490	.4,814,398
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders .....	.251,061	.210,582
12. Ceded reinsurance premiums payable (net of ceding commissions) .....	.316,029,388	.347,419,596
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19) .....	.60,436	.70,686
14. Amounts withheld or retained by company for account of others .....	.5,136,430	.6,423,817
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7) .....	.3,321,518	.15,691,998
17. Net adjustments in assets and liabilities due to foreign exchange rates .....	.275	
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates .....	.3,424,606	.12,863,120
20. Derivatives		
21. Payable for securities .....	.98,409	.86,418
22. Payable for securities lending .....	.14,828,900	.625,000
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ and interest thereon \$		
25. Aggregate write-ins for liabilities .....	.7,742,815	.2,675,381
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25) .....	.1,068,706,404	.1,110,008,302
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27) .....	.1,068,706,404	.1,110,008,302
29. Aggregate write-ins for special surplus funds		
30. Common capital stock .....	.6,027,200	.6,027,200
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds .....	.10,073,643	.9,703,585
33. Surplus notes		
34. Gross paid in and contributed surplus .....	.143,973,300	.143,973,300
35. Unassigned funds (surplus) .....	.518,694,749	.495,417,325
36. Less treasury stock, at cost:		
36.1 shares common (value included in Line 30 \$)		
36.2 shares preferred (value included in Line 31 \$)		
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39) .....	.678,768,892	.655,121,410
38. TOTALS (Page 2, Line 28, Col. 3)	1,747,475,296	1,765,129,712
DETAILS OF WRITE-INS		
2501. Contingent suits .....	.397,926	.504,088
2502. Loss based assessment .....	.429,117	.423,834
2503. Reserve for state escheat payment .....	.5,970,187	.1,216,675
2598. Summary of remaining write-ins for Line 25 from overflow page .....	.945,585	.530,784
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	7,742,815	.2,675,381
2901.		
2902.		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 thru 2903 plus 2998)(Line 29 above)	10,073,643	.9,703,585
3201. SSAP 10 DTA .....	.10,073,643	.9,703,585
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 thru 3203 plus 3298)(Line 32 above)	10,073,643	.9,703,585

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY
STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4).....	569,188,415	577,521,084
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7).....	373,482,669	331,620,772
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1).....	64,487,769	59,756,846
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....	193,540,993	192,351,915
5. Aggregate write-ins for underwriting deductions.....	5,283	(13,482)
6. Total underwriting deductions (Lines 2 through 5).....	631,516,714	583,716,051
7. Net income of protected cells.....	(62,328,299)	(6,194,967)
8. Net underwriting gain or (loss) (Line 1 minus Line 6 plus Line 7).....	(62,328,299)	(6,194,967)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....	38,807,765	38,835,375
10. Net realized capital gains or (losses) less capital gains tax of \$ 140,589 (Exhibit of Capital Gains (Losses)).....	311,035	(534,821)
11. Net investment gain (loss) (Lines 9 + 10).....	39,118,800	38,300,554
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 70,517 amount charged off \$ 2,575,014).....	(2,504,497)	(2,932,987)
13. Finance and service charges not included in premiums.....	6,914,565	7,487,968
14. Aggregate write-ins for miscellaneous income.....	2,173,718	2,151,513
15. Total other income (Lines 12 through 14).....	6,583,786	6,706,494
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	(16,625,713)	38,812,081
17. Dividends to policyholders.....	306,958	260,432
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17).....	(16,932,671)	38,551,649
19. Federal and foreign income taxes incurred.....	(5,347,897)	8,258,205
20. Net income (Line 18 minus Line 19)(to Line 22).....	(11,584,774)	30,293,444
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2).....	655,121,410	610,168,949
22. Net income (from Line 20).....	(11,584,774)	30,293,444
23. Net transfers (to) from Protected Cell accounts.....		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 2,002,715.....	6,356,175	11,824,608
25. Change in net unrealized foreign exchange capital gain (loss).....	(80,190)	113,267
26. Change in net deferred income tax.....	2,014,685	(1,005,454)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3).....	14,201,048	3,249,820
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1).....	12,370,480	1,177,245
29. Change in surplus notes.....		
30. Surplus (contributed to) withdrawn from protected cells.....		
31. Cumulative effect of changes in accounting principles.....		
32. Capital changes:		
32.1 Paid in.....		
32.2 Transferred from surplus (Stock Dividend).....		
32.3 Transferred to surplus.....		
33. Surplus adjustments:		
33.1 Paid in.....		
33.2 Transferred to capital (Stock Dividend).....		
33.3 Transferred from capital.....		
34. Net remittances from or (to) Home Office.....		
35. Dividends to stockholders.....		
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1).....		
37. Aggregate write-ins for gains and losses in surplus.....	370,058	(700,469)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37).....	23,647,482	44,952,461
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37).....	678,768,892	655,121,410
DETAILS OF WRITE-INS		
0501. Loss based assessment.....	5,283	(13,482)
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page.....		
0599. Totals (Lines 0501 thru 0503 plus 0598)(Line 5 above).....	5,283	(13,482)
1401. Contingent suit liability.....	106,161	1,090,515
1402. Other income.....	2,067,557	1,060,998
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page.....		
1499. Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above).....	2,173,718	2,151,513
3701. SSAP 10 DTA.....	370,058	(700,469)
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page.....		
3799. Totals (Lines 3701 thru 3703 plus 3798)(Line 37 above).....	370,058	(700,469)

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY
CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance .....	.663,361,028	567,287,691
2. Net investment income	41,614,484	42,126,876
3. Miscellaneous income	8,762,762	9,329,481
4. Total (Lines 1 through 3)	713,738,274	618,744,048
5. Benefit and loss related payments	422,448,414	341,447,843
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	256,994,804	257,887,169
8. Dividends paid to policyholders	266,479	312,683
9. Federal and foreign income taxes paid (recovered) net of \$(361,715) tax on capital gains (losses)	7,929,995	4,701,774
10. Total (Lines 5 through 9)	687,639,693	604,349,469
11. Net cash from operations (Line 4 minus Line 10)	26,098,581	14,394,580
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	149,537,020	167,974,946
12.2 Stocks	49,577	
12.3 Mortgage loans	159,837	809,405
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	1,536	(40,031)
12.7 Miscellaneous proceeds	210,412	110,900
12.8 Total investment proceeds (Lines 12.1 to 12.7)	149,958,381	168,855,220
13. Cost of investments acquired (long-term only):		
13.1 Bonds	129,440,513	73,831,523
13.2 Stocks	553,577	1,000,000
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets	14,194,617	544,223
13.6 Miscellaneous applications	182,885	108,715
13.7 Total investments acquired (Lines 13.1 to 13.6)	144,371,593	75,484,461
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	5,586,789	93,370,759
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(94,979,202)	(35,528,413)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(94,979,202)	(35,528,413)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(63,293,832)	72,236,926
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	77,760,283	5,523,357
19.2 End of period (Line 18 plus Line 19.1)	14,466,451	77,760,283

Note: Supplemental disclosures of cash flow information for non-cash transactions:

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ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	6,937,699	3,455,428	3,595,781	6,797,346
2. Allied lines	8,591,439	3,999,036	4,390,113	8,200,362
3. Farmowners multiple peril	11,032,680	4,841,655	5,409,615	10,464,720
4. Homeowners multiple peril	103,787,032	57,287,456	55,919,489	105,154,999
5. Commercial multiple peril	56,467,054	26,336,995	27,847,460	54,956,589
6. Mortgage guaranty				
8. Ocean marine	960,507	451,364	433,566	978,305
9. Inland marine	6,284,175	2,948,573	3,107,577	6,125,171
10. Financial guaranty				
11.1 Medical professional liability - occurrence	49,531	23,252	12,318	60,465
11.2 Medical professional liability - claims-made	51,787	2,695	23,123	31,359
12. Earthquake	1,828,242	984,591	897,470	1,915,363
13. Group accident and health	8,496,558	11,867	10,640	8,497,785
14. Credit accident and health (group and individual)				
15. Other accident and health	62,734	9,251	12,771	59,214
16. Workers' compensation	9,456,463	4,117,677	4,483,446	9,090,694
17.1 Other liability - occurrence	34,331,486	15,614,687	16,166,731	33,779,442
17.2 Other liability - claims-made	8,182,728	2,942,819	3,713,869	7,411,678
17.3 Excess workers' compensation				
18.1 Products liability - occurrence	2,970,857	1,528,809	1,552,107	2,947,559
18.2 Products liability - claims-made	10,016	9,098	6,922	12,192
19.1, 19.2 Private passenger auto liability	164,913,619	48,007,214	47,071,409	165,849,424
19.3, 19.4 Commercial auto liability	30,818,791	12,903,533	14,080,178	29,642,146
21. Auto physical damage	114,730,494	33,810,943	33,845,565	114,695,872
22. Aircraft (all perils)				
23. Fidelity	61,344	46,933	48,928	59,349
24. Surety	587,154	235,212	232,596	589,770
26. Burglary and theft	184,832	77,050	86,159	175,723
27. Boiler and machinery	11,449	(79,625)	(92,803)	24,627
28. Credit	10,656	35,861	27,527	18,990
29. International	(7)	803	796	
30. Warranty	1,612,181	1,834,032	1,796,981	1,649,232
31. Reinsurance - nonproportional assumed property	(161)	(2,651)	(1,833)	(979)
32. Reinsurance - nonproportional assumed liability	212		(806)	1,018
33. Reinsurance - nonproportional assumed financial lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	572,431,552	221,434,558	224,677,695	569,188,415
DETAILS OF WRITE-INS				
3401.				
3402.				
3403.				
3498. Summary of remaining write-ins for Line 34 from overflow page				
3499. Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)				

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned But Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	3,583,886	11,895			3,595,781
2. Allied lines	4,370,635	19,478			4,390,113
3. Farmowners multiple peril	5,409,615				5,409,615
4. Homeowners multiple peril	55,325,676	593,813			55,919,489
5. Commercial multiple peril	27,768,972	78,488			27,847,460
6. Mortgage guaranty					
8. Ocean marine	419,225	14,341			.433,566
9. Inland marine	3,079,468	28,109			3,107,577
10. Financial guaranty					
11.1 Medical professional liability - occurrence	12,318				12,318
11.2 Medical professional liability - claims-made	23,123				23,123
12. Earthquake	891,852	5,618			.897,470
13. Group accident and health	10,640				10,640
14. Credit accident and health (group and individual)					
15. Other accident and health	7,109			5,662	12,771
16. Workers' compensation	4,483,016	430			4,483,446
17.1 Other liability - occurrence	15,057,833	1,108,898			16,166,731
17.2 Other liability - claims-made	3,712,021			1,848	3,713,869
17.3 Excess workers' compensation					
18.1 Products liability - occurrence	1,474,294	.77,813			.1,552,107
18.2 Products liability - claims-made	6,922				6,922
19.1, 19.2 Private passenger auto liability	47,070,651	758			.47,071,409
19.3, 19.4 Commercial auto liability	13,888,314	.191,864			.14,080,178
21. Auto physical damage	33,836,912	8,653			.33,845,565
22. Aircraft (all perils)					
23. Fidelity	20,750	28,178			48,928
24. Surety	174,622	.57,974			.232,596
26. Burglary and theft	84,780	1,379			.86,159
27. Boiler and machinery	(92,825)	.22			(92,803)
28. Credit .....	.1	27,526			.27,527
29. International	796				796
30. Warranty	(28,483)	1,825,464			.1,796,981
31. Reinsurance - nonproportional assumed property	(1,833)				(1,833)
32. Reinsurance - nonproportional assumed liability	(806)				(806)
33. Reinsurance - nonproportional assumed financial lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	220,589,484	4,080,701		7,510	224,677,695
36. Accrued retrospective premiums based on experience					(7,510)
37. Earned but unbilled premiums					
38. Balance (Sum of Line 35 through 37)					224,670,185
DETAILS OF WRITE-INS					
3401.					
3402.					
3403.					
3498. Summary of remaining write-ins for Line 34 from overflow page					
3499. Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)					

(a) State here basis of computation used in each case See Notes to Financial Statements 1(C).

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY
UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1+2+3-4-5
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire	38,959,774	16,395,438		47,623,159	794,354	6,937,699
2. Allied lines	102,015,156	20,766,765		111,535,914	2,654,568	8,591,439
3. Farmowners multiple peril	2,486,777	11,647,152		3,061,172	40,077	11,032,680
4. Homeowners multiple peril	61,273,586	108,764,689		64,732,454	1,518,789	103,787,032
5. Commercial multiple peril	261,290,027	151,999,558	2,819,783	348,542,580	11,099,734	56,467,054
6. Mortgage guaranty						
8. Ocean marine	20,958	27,882,816		24,053,610	2,889,657	960,507
9. Inland marine	17,062,600	17,603,441		27,024,277	1,357,589	6,284,175
10. Financial guaranty						
11.1 Medical professional liability - occurrence		49,881		355	(5)	49,531
11.2 Medical professional liability - claims-made		1,346,472		1,294,685		51,787
12. Earthquake	82,231	1,930,057		184,532	(486)	1,828,242
13. Group accident and health		8,496,558				8,496,558
14. Credit accident and health (group and individual)						
15. Other accident and health		62,734				62,734
16. Workers' compensation		18,329,237		5,972,057	2,900,717	9,456,463
17.1 Other liability - occurrence	418,408,585	379,194,380		685,806,383	77,465,096	34,331,486
17.2 Other liability - claims-made	135,402,190	153,189,533	5,347,373	202,942,537	82,813,831	8,182,728
17.3 Excess workers' compensation						
18.1 Products liability - occurrence	14,499,852	12,254,810		23,549,045	234,760	2,970,857
18.2 Products liability - claims-made	286,947	(26,536)		250,395		10,016
19.1, 19.2 Private passenger auto liability		164,913,619				164,913,619
19.3, 19.4 Commercial auto liability	37,587,873	251,387,680	850	248,463,283	9,694,329	30,818,791
21. Auto physical damage	6,884,558	177,551,536	25	69,583,461	122,164	114,730,494
22. Aircraft (all perils)						
23. Fidelity	2,778	64,639		6,074	(1)	61,344
24. Surety		587,154				587,154
26. Burglary and theft	216,823	397,643		180,348	249,286	184,832
27. Boiler and machinery	1,781,934	2,191,979		289,445	3,673,019	11,449
28. Credit	888,117	21,296		266,412	632,345	10,656
29. International		(7)				(7)
30. Warranty	6,366,963	42,712,613		40,304,541	7,162,854	1,612,181
31. Reinsurance - nonproportional assumed property	XXX	(161)				(161)
32. Reinsurance - nonproportional assumed liability	XXX	212				212
33. Reinsurance - nonproportional assumed financial lines	XXX					
34. Aggregate write-ins for other lines of business						
35. TOTALS	1,105,517,729	1,569,715,188	8,168,031	1,905,666,719	205,302,677	572,431,552
DETAILS OF WRITE-INS						
3401.						
3402.						
3403.						
3498. Summary of remaining write-ins for Line 34 from overflow page						
3499. Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)						

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [] No [X]

If yes: 1. The amount of such installment premiums \$

2. Amount at which such installment premiums would have been reported had they been reported on an annualized basis \$

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5	6	7	8
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire	8,720,908	5,735,907	11,784,966	2,671,849	788,354	849,419	2,610,784	38.4
2. Allied lines	42,861,806	18,601,756	54,037,409	7,426,153	1,343,960	1,317,033	7,453,080	90.9
3. Farmowners multiple peril	1,439,891	7,266,083	1,486,671	7,219,303	3,151,154	2,941,168	7,429,289	71.0
4. Homeowners multiple peril	30,234,582	97,235,159	33,309,139	94,160,602	22,877,627	25,208,147	91,830,082	87.3
5. Commercial multiple peril	121,528,083	89,672,645	172,145,846	39,054,882	40,873,177	44,412,303	35,515,756	64.6
6. Mortgage guaranty								
8. Ocean marine	434,817	14,660,613	14,524,870	570,560	838,712	898,021	511,251	52.3
9. Inland marine	2,434,125	8,048,402	7,840,812	2,641,715	573,292	571,285	2,643,722	43.2
10. Financial guaranty								
11.1 Medical professional liability - occurrence		197,250	186,779	10,471	75,845	91,983	(5,667)	(9.4)
11.2 Medical professional liability - claims-made		151,949	146,105	5,844	124,338	137,424	(7,242)	(23.1)
12. Earthquake		3,858	1,435	2,423	21,617	45,023	(20,983)	(1.1)
13. Group accident and health		6,327,212		6,327,212	23,364	30,288	6,320,288	74.4
14. Credit accident and health (group and individual)								
15. Other accident and health		(87,131)	(138,069)	50,938	170,865	162,533	59,270	100.1
16. Workers' compensation		7,275,385	1,982,861	5,292,524	25,089,052	23,897,717	6,483,859	71.3
17.1 Other liability - occurrence	275,079,415	178,157,599	437,540,554	15,696,460	54,845,884	60,105,409	10,436,935	30.9
17.2 Other liability - claims-made	31,821,903	15,833,165	45,999,915	1,655,153	3,885,312	3,670,805	1,869,660	25.2
17.3 Excess workers' compensation								
18.1 Products liability - occurrence	22,619,621	8,187,034	29,220,555	1,586,100	6,214,853	5,073,259	2,727,694	92.5
18.2 Products liability - claims-made	1,005,110	40,204	1,005,110	40,204	10,644	52,969	(2,121)	(17.4)
19.1, 19.2 Private passenger auto liability		107,948,187		107,948,187	114,625,092	118,097,989	104,475,290	63.0
19.3, 19.4 Commercial auto liability	38,384,823	151,778,553	171,059,498	19,103,878	33,079,027	35,053,069	17,129,836	57.8
21. Auto physical damage	3,172,666	112,731,342	42,424,049	73,479,959	1,954,866	2,549,773	72,885,052	63.5
22. Aircraft (all perils)					(19)		19	
23. Fidelity	(2,884)	350	(2,771)	237	(290)	(510)	457	0.8
24. Surety		49,505		49,505	(7,576)	4,789	37,140	6.3
26. Burglary and theft		52,946	(1,404)	54,350	35,009	32,194	57,165	32.5
27. Boiler and machinery	727,455	460,698	1,187,173	980	44,199	37,201	7,978	32.4
28. Credit	669,062	50,385	703,940	15,507	79,600	75,599	19,508	102.7
29. International						32,600	(32,600)	
30. Warranty	5,658,023	34,103,538	38,243,367	1,518,194	85,000	82,560	1,520,634	92.2
31. Reinsurance - nonproportional assumed property	XXX					(1,526,536)	1,526,536	(155,928.1)
32. Reinsurance - nonproportional assumed liability	XXX							
33. Reinsurance - nonproportional assumed financial lines	XXX							
34. Aggregate write-ins for other lines of business								
35. TOTALS	586,789,406	864,482,594	1,064,688,810	386,583,190	310,802,977	323,903,495	373,482,672	65.6
DETAILS OF WRITE-INS								
3401.								
3402.								
3403.								
3498. Summary of remaining write-ins for Line 34 from overflow page								
3499. Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)								

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			8	9
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	2,328,598	914,574	2,643,632	599,540	505,874	255,204	572,264	788,354	145,513
2. Allied lines	10,488,968	3,382,079	12,873,463	997,584	5,021,229	816,837	5,491,690	1,343,960	314,179
3. Farmowners multiple peril	186,860	3,025,595	529,361	2,683,094	52,000	845,763	429,703	3,151,154	658,502
4. Homeowners multiple peril	7,034,141	19,288,670	7,301,410	19,021,401	4,603,978	4,022,518	4,770,270	22,877,627	3,745,935
5. Commercial multiple peril	68,781,055	66,581,643	105,106,361	30,256,337	52,198,074	38,113,806	79,695,040	40,873,177	15,299,018
6. Mortgage guaranty									
8. Ocean marine	608,505	17,149,968	17,263,201	495,272	185	9,605,255	9,262,000	838,712	231,284
9. Inland marine	357,027	2,927,918	2,918,377	366,568	237,060	722,354	752,690	573,292	81,315
10. Financial guaranty									
11.1 Medical professional liability - occurrence	(60,000)	873,304	759,003	54,301	(58,132)	22,083	(57,593)	75,845	39,613
11.2 Medical professional liability - claims-made	75,000	3,304,031	3,275,991	103,040	5,230	548,509	532,441	124,338	18,355
12. Earthquake		4,854		4,854		16,763		21,617	9,376
13. Group accident and health						23,364		(a) 23,364	728
14. Credit accident and health (group and individual)									
15. Other accident and health		231,136	82,670	148,466		22,399		(a) 170,865	7,856
16. Workers' compensation		22,771,748	4,480,956	18,290,792		9,422,188		2,623,928	25,089,052
17.1 Other liability - occurrence	327,871,230	128,965,802	433,438,213	23,398,819	495,189,362	276,582,690	740,324,987	54,845,884	16,370,918
17.2 Other liability - claims-made	22,477,456	29,945,723	50,742,822	1,680,357	35,026,870	32,961,395	65,783,310	3,885,312	3,412,867
17.3 Excess workers' compensation									
18.1 Products liability - occurrence	31,232,458	14,444,757	42,558,497	3,118,718	55,169,620	17,580,591	69,654,076	6,214,853	4,679,431
18.2 Products liability - claims-made	260,000	10,400	260,000	10,400		244		10,644	1,297
19.1, 19.2 Private passenger auto liability		91,736,815	2,000,000	89,736,815		24,888,274	(3)	114,625,092	14,266,174
19.3, 19.4 Commercial auto liability	35,120,252	171,003,490	182,891,657	23,232,085	23,653,067	110,159,153	123,965,278	33,079,027	4,746,007
21. Auto physical damage	366,719	7,092,561	6,945,981	513,299	19,768	1,623,571	201,772	1,954,866	1,091,972
22. Aircraft (all perils)									
23. Fidelity .....		.976		.976		(1,266)		(290)	5,627
24. Surety		10,032		10,032		(17,608)		(7,576)	73,611
26. Burglary and theft	75,000	234,038	275,000	34,038		1,179	208	35,009	3,197
27. Boiler and machinery	217,000	129,346	353,795	(7,449)	380	98,244	46,976	44,199	33,809
28. Credit	1,160	.40	1,160	40	2,275,175	106,385	2,302,000	.79,600	718
29. International									
30. Warranty	60	705	.765		359,190	2,225,812	2,500,002	85,000	.36
31. Reinsurance - nonproportional assumed property	XXX				XXX				
32. Reinsurance - nonproportional assumed liability	XXX				XXX				
33. Reinsurance - nonproportional assumed financial lines	XXX				XXX				
34. Aggregate write-ins for other lines of business									
35. TOTALS	507,421,489	584,030,205	876,702,315	214,749,379	674,258,930	530,645,707	1,108,851,039	310,802,977	66,904,127
DETAILS OF WRITE-INS									
3401.									
3402.									
3403.									
3498. Summary of remaining write-ins for Line 34 from overflow page									
3499. Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)									

(a) Including \$ for present value of life indemnity claims.

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY
UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	149,624,919			149,624,919
1.2 Reinsurance assumed	131,808,659			131,808,659
1.3 Reinsurance ceded	259,463,148			259,463,148
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	21,970,430			21,970,430
2. Commission and brokerage:				
2.1 Direct excluding contingent		229,591,763		229,591,763
2.2 Reinsurance assumed, excluding contingent		288,857,674		288,857,674
2.3 Reinsurance ceded, excluding contingent		445,051,435		445,051,435
2.4 Contingent - direct		45,914,900		45,914,900
2.5 Contingent - reinsurance assumed		15,063,827		15,063,827
2.6 Contingent - reinsurance ceded		49,972,087		49,972,087
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)		84,404,642		84,404,642
3. Allowances to managers and agents	23,881	1,309,128		1,333,009
4. Advertising	32,120	10,500,758	.165	10,533,043
5. Boards, bureaus and associations	145,047	922,209	.7	1,067,263
6. Surveys and underwriting reports	82,493	3,834,481		3,916,974
7. Audit of assureds' records	298	138,694		138,992
8. Salary and related items:				
8.1 Salaries	22,160,257	37,038,419	864,264	60,062,940
8.2 Payroll taxes	50,597	5,384,936		5,435,533
9. Employee relations and welfare	5,007,779	2,637,265	141,198	7,786,242
10. Insurance	2,562	911,668		914,230
11. Directors' fees	(12)	93,488	4,255	97,731
12. Travel and travel items	2,098,706	3,035,824	21,843	5,156,373
13. Rent and rent items	1,556,143	6,448,985	48,978	8,054,106
14. Equipment	865,087	1,034,240	.93,111	1,992,438
15. Cost or depreciation of EDP equipment and software	150,290	3,357,253	7,291	3,514,834
16. Printing and stationery	268,881	2,482,677	495	2,752,053
17. Postage, telephone and telegraph, exchange and express	809,282	2,515,687	1,551	3,326,520
18. Legal and auditing	859,742	9,247,580	21,949	10,129,271
19. Totals (Lines 3 to 18)	34,113,153	90,893,292	1,205,107	126,211,552
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$		10,910,568		10,910,568
20.2 Insurance department licenses and fees		740,475		740,475
20.3 Gross guaranty association assessments		(488,181)		(488,181)
20.4 All other (excluding federal and foreign income and real estate)		1,568,487		1,568,487
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		12,731,349		12,731,349
21. Real estate expenses				
22. Real estate taxes		42,779		42,779
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	8,404,258	5,468,860	13,069	13,886,187
25. Total expenses incurred	64,487,841	193,540,922	1,218,176	(a) 259,246,939
26. Less unpaid expenses - current year .....	.66,904,127	20,623,578		.87,527,705
27. Add unpaid expenses - prior year	67,844,578	18,643,886		.86,488,464
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	65,428,292	191,561,230	1,218,176	258,207,698
DETAILS OF WRITE-INS				
2401. Service fees		635,316		.635,316
2402. Other expenses	8,126,413	2,416,181	13,069	10,555,663
2403. Outside service and income	277,845	2,248,629		2,526,474
2498. Summary of remaining write-ins for Line 24 from overflow page		168,734		168,734
2499. Totals (Lines 2401 thru 2403 plus 2498)(Line 24 above)	8,404,258	5,468,860	13,069	13,886,187

(a) Includes management fees of \$ to affiliates and \$ to non-affiliates.

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY
EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 6,091,582	5,667,208
1.1 Bonds exempt from U.S. tax	(a) 15,442,994	15,034,176
1.2 Other bonds (unaffiliated)	(a) 14,503,782	14,628,530
1.3 Bonds of affiliates	(a) .....	.....
2.1 Preferred stocks (unaffiliated)	(b) .....	.....
2.11 Preferred stocks of affiliates	(b) .....	.....
2.2 Common stocks (unaffiliated)	(c) .....	.....
2.21 Common stocks of affiliates	(c) 205,885	206,372
3. Mortgage loans	(d) .....	.....
4. Real estate	(e) .....	.....
5. Contract loans	(f) .....	.....
6. Cash, cash equivalents and short-term investments	(e) 65,270	65,270
7. Derivative instruments	(f) .....	.....
8. Other invested assets	(g) .....	.....
9. Aggregate write-ins for investment income	4,447,606	4,447,606
10. Total gross investment income	40,757,119	40,049,162
11. Investment expenses	(g) 1,218,176	.....
12. Investment taxes, licenses and fees, excluding federal income taxes	(g) .....	.....
13. Interest expense	(h)	6,551
14. Depreciation on real estate and other invested assets	(i)	16,670
15. Aggregate write-ins for deductions from investment income .....	.....	1,241,397
16. Total deductions (Lines 11 through 15) .....	.....	38,807,765
17. Net investment income (Line 10 minus Line 16) .....	.....	.....
DETAILS OF WRITE-INS		
0901. Securities lending	1,557	1,557
0902. Miscellaneous expense	4,446,049	4,446,049
0903. .....	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	4,447,606	4,447,606
1501. Mortgage loan service fees .....	.....	1,747
1502. Home purchase expense .....	.....	14,923
1503. .....	.....	.....
1598. Summary of remaining write-ins for Line 15 from overflow page .....	.....	.....
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15, above)	16,670	.....

- (a) Includes \$ 1,378,670 accrual of discount less \$ 3,477,433 amortization of premium and less \$ 838,086 paid for accrued interest on purchases.
- (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.
- (c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (f) Includes \$ accrual of discount less \$ amortization of premium.
- (g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
- (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	87,250	.....	87,250	8,481,757	.....
1.1 Bonds exempt from U.S. tax	21,788	.....	21,788	.....	.....
1.2 Other bonds (unaffiliated)	535,926	.....	535,926	(155,760)	(80,191)
1.3 Bonds of affiliates .....	.....	.....	.....	.....	.....
2.1 Preferred stocks (unaffiliated) .....	.....	.....	.....	.....	.....
2.11 Preferred stocks of affiliates .....	.....	.....	.....	.....	.....
2.2 Common stocks (unaffiliated) .....	.....	.....	.....	(125,940)	.....
2.21 Common stocks of affiliates .....	.....	.....	.....	183,465	.....
3. Mortgage loans .....	.....	.....	.....	619	.....
4. Real estate .....	.....	.....	.....	.....	.....
5. Contract loans .....	.....	.....	.....	.....	.....
6. Cash, cash equivalents and short-term investments .....	.....	.....	.....	.....	.....
7. Derivative instruments .....	.....	.....	.....	.....	.....
8. Other invested assets .....	.....	.....	.....	.....	.....
9. Aggregate write-ins for capital gains (losses)	(193,340)	.....	(193,340)	(25,252)	.....
10. Total capital gains (losses)	644,964	(193,340)	451,624	8,358,889	(80,191)
DETAILS OF WRITE-INS			.....	.....	.....
0901. FX Realized on Currency	1,536	1,536	.....	.....	.....
0902. Securities Lending	(11,990)	(11,990)	.....	(25,252)	.....
0903. Miscellaneous capital loss	(182,886)	(182,886)	.....	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....	.....	.....	.....
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	(193,340)	(193,340)	(25,252)	.....	.....

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY
EXHIBIT OF NON-ADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities	59,236		59,236
10. Securities lending reinvested collateral assets (Schedule DL)	128,231		128,231
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)	187,467		187,467
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	71,840,899	82,821,238	10,980,339
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	391,795	217,117	(174,678)
15.3 Accrued retrospective premiums			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	3,929,080	8,782,513	4,853,433
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates	5,324	2,347	(2,977)
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets	16,845,648	26,115,681	9,270,033
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	93,012,746	118,126,363	25,113,617
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	93,012,746	118,126,363	25,113,617
DETAILS OF WRITE-INS			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)			
2501. Deposits and prepaid assets	8,050,790	9,878,318	1,827,528
2502. Other assets nonadmitted	8,752,594	16,237,363	7,484,769
2503. Miscellaneous assets	42,264		(42,264)
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	16,845,648	26,115,681	9,270,033

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Accounting Practices

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

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

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

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

C. Accounting Policies

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

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

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

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

Statutory accounting principles require recognition of a minimum liability for certain unsecured or overdue reinsurance recoverables (100% for unsecured unauthorized reinsurance and up to 20% recoverables from certain reinsurers more than 90 days overdue on their payments). These conditional reserves were \$3,321,518 and \$15,691,998 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:

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 adjusted for unamortized goodwill. Investments in non-insurance affiliated companies that have no significant ongoing operations other than to hold assets that are primarily for the direct or indirect benefit or use of the reporting entity or its affiliates are stated at audited GAAP equity adjusted to a statutory basis of accounting. Investments in non-insurance affiliated companies that have significant ongoing operations beyond holding assets that are primarily for the direct or indirect benefit or use of the reporting entity or its affiliates are stated at audited GAAP equity. Unaudited affiliated companies of the reporting entity or its affiliates are non-admitted under prescribed SAP accounting practices. Goodwill arising from the acquisition of affiliated companies is amortized over a period of ten years. Unamortized goodwill at December 31, 2011 was \$19.0 million, of which \$5.1 million was nonadmitted due to no statutory audit having been performed on an acquired entity, Freedom Specialty Insurance Company (formerly Atlantic Insurance Company). Unamortized goodwill at December 31, 2010 was \$21.9 million, of which \$5.8 million was nonadmitted due to no statutory audit having been performed on an acquired entity, Freedom Specialty Insurance Company (formerly Atlantic Insurance Company).

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.

NOTES TO FINANCIAL STATEMENTS

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.

Note 2 - Accounting Changes and Corrections of Errors

A. Accounting Changes

Adopted Accounting Standards

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

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

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

Pending Accounting Standards

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

Correction of Error

Not applicable.

NOTES TO FINANCIAL STATEMENTS

Note 3 - Business Combinations and Goodwill

A. Statutory Purchase Method

1. On December 31, 2008, the 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 Traveler's as of the date of the sale to the Company. The purchase of Atlantic by the 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, the 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.

2. The two transactions above were accounted for as statutory purchases.
3. 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.
4. Goodwill amortization for the year ended December 31, 2011 related to the purchases of Freedom Specialty Insurance Company and VPI is \$725.2 thousand and \$14 million, respectively.

B. Statutory Merger

Not applicable.

C. Writedowns for Impairment of Investments in Affiliates

Not applicable.

Note 4 - Discontinued Operations

Not applicable.

Note 5 - Investments

A. Mortgage Loans

1. There were no new commercial loans originated during 2011. No residential mortgages were loaned during 2011.
2. During 2011 the Company did not reduce interest rates on any outstanding loans.
3. At December 31, 2011, the maximum percentage of any one loan to the value of collateral at the time of the loan is 83.1%.
4. The Company did not hold mortgages with interest 180 days or more past due.
5. There were no taxes, assessments or any amounts advanced and not included in the mortgage loan.
6. - 10. There were no impaired mortgage loans.

	12/31/11	12/31/10
a. Balance at beginning of period	\$ 16,516	\$ 8,200
b. Additions charged to operations	\$ 0	\$ 8,316
c. Direct write-downs charged against the allowances	\$ 0	\$ 0
d. Recoveries of amounts previously charged off	<u>\$ (619)</u>	<u>\$ 0</u>
e. Balance at end of period	<u>\$ 15,897</u>	<u>\$ 16,516</u>

11. Allowance for Credit Losses

	<u>12/31/11</u>	<u>12/31/10</u>
a. Balance at beginning of period	\$ 16,516	\$ 8,200
b. Additions charged to operations	\$ 0	\$ 8,316
c. Direct write-downs charged against the allowances	\$ 0	\$ 0
d. Recoveries of amounts previously charged off	<u>\$ (619)</u>	<u>\$ 0</u>
e. Balance at end of period	<u>\$ 15,897</u>	<u>\$ 16,516</u>
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

Not applicable.

C. Reverse Mortgages

Not applicable.

D. Loan-Backed Securities

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

NOTES TO FINANCIAL STATEMENTS

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

	(1) Amortized Cost Basis Before Other-than- Temporary Impairment	(2) Other-than- Temporary Impairment Recognized in Loss	(3) Fair Value 1 - 2
OTTI recognized 1st Quarter			
a. Intent to Sell	\$ -	\$ -	\$ -
b. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	\$ -	\$ -	\$ -
c. Total 1st Quarter	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
m. Annual Aggregate Total			\$ -

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

(1) CUSIP	(2) Amortized Cost Before Current Period OTTI	(3) Present Value of Projected Cash Flows	(4) Recognized Other-Than- Temporary Impairment	(5) Amortized Cost After Other-Than- Temporary Impairment	(6) Fair Value at time of OTTI	(7) Date of Financial Statement Where Reported
Total		\$ -				

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 | \$ (123,144) |
| 2. 12 Months or Longer | <u>\$ (2,697,592)</u> |
- b. The aggregate related fair value of securities with unrealized losses:
- | | |
|------------------------|---------------------|
| 1. Less than 12 Months | \$ 51,737,608 |
| 2. 12 Months or Longer | <u>\$ 8,567,952</u> |
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-temporally 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-temporally impaired.

NOTES TO FINANCIAL STATEMENTS

E. Repurchase Agreements and Securities Lending Transactions

1. Repurchase Agreements:

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

Securities Lending:

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

2. No assets were pledged as collateral as of year-end.
3. The Company has not accepted collateral that is permitted by contract or custom to sell or repledge as of year-end.
 - a. The Company's securities lending agreement allows the borrower to terminate a loan upon demand. The Company's obligation for cash collateral received was \$14,828,900 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 \$14,652,947 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 \$14,738,841 and \$14,652,947, respectively, as of December 31, 2011.

	Amortized Cost	Fair Value
Under 30 day	\$ 14,591,358	\$ 14,591,358
60-day		
90-day		
120-day		
180-day		
<1Year		
1-2 Years		
2-3 Years		
>3 Years	<u>147,483</u>	<u>61,589</u>
	<u>\$ 14,738,841</u>	<u>\$ 14,652,947</u>

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

F. Real Estate

Not applicable.

G. Low-Income Housing Tax Credits

Not applicable.

Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

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

Not applicable.

B. Write-downs for Impairments

Not applicable.

Note 7 - Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

The total amount of investment income nonadmitted at December 31, 2011 is \$42,264.

Note 8 - Derivative Instruments

Not applicable.

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

Deferred Tax Liabilities

a) Ordinary				
1) Investments				
2) Fixed assets				
3) Deferred and uncollected premiums				
4) Policyholder reserves				
5) Pension accrual		6,606		6,606
6) Guaranty assessments		125,864	21,064	104,800
7) Unearned surcharge income				
8) Prepaid expenses				
9) Surplus note interest accrual				
10) Section 338 gain				
11) Unrealized miscellaneous				
12) Compensation and benefits accrual		1,046,458		1,046,458
13) Other				
	Subtotal			
		\$ 1,178,928	\$ 21,064	\$ 1,157,864
b) Capital				
1) Investments		2,944,103	924,909	2,019,194
2) Real estate				
3) Other				
	Subtotal			
		\$ 2,944,103	\$ 924,909	\$ 2,019,194
c) Deferred tax liabilities				
		\$ 4,123,031	\$ 945,973	\$ 3,177,058
Net deferred tax assets/liabilities				
		\$ 36,746,828	\$ 31,881,425	\$ 4,865,403

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	(5,207,308)	7,349,812
(2) Change in deferred income tax (without tax on unrealized gains and losses)	(2,014,685)	1,005,454
(3) Total income tax reported	<u><u>\$ (7,221,993)</u></u>	<u><u>\$ 8,355,266</u></u>
(4) Income before taxes	(16,792,082)	37,643,255
(5) Expected income tax expense (benefit) at 35% statutory rate	35%	35%
(6) Increase (decrease) in actual tax reported resulting from:		
a. Dividends received deduction		
b. Nondeductible expenses for meals, penalties, and lobbying	113,609	98,310
c. Tax-exempt income	(4,485,548)	(5,406,492)
d. Deferred tax benefit on nonadmitted assets	3,401,186	881,999
e. Change in Statutory valuation allowance adjustment		
f. Change in tax reserves	(277,752)	(49,086)
g. Intangibles		
h. Tax credits		
i. Other	(96,259)	(344,604)
(7) Total income tax reported	<u><u>\$ (7,221,993)</u></u>	<u><u>\$ 8,355,266</u></u>

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	7,262,329	2011	2031
Amount of AMT tax credits	\$ -	\$ -	\$ -
Business credits	\$ -	\$ -	\$ -

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

	2011	2010
	\$ -	\$ -

F. Consolidated federal income tax return

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

AGMC Reinsurance, Ltd.	Nationwide Retirement Solutions, Inc. of Ohio
Allied General Agency Company	Nationwide Retirement Solutions, Inc. of Texas
Allied Group, Inc.	Nationwide Retirement Solutions Insurance
Allied Insurance Company of America	Agency, Inc.
Allied Property and Casualty Insurance Company	Nationwide SA Capital Trust
Allied Texas Agency, Inc.	Nationwide Sales Solutions, Inc.
AMCO Insurance Company	NFS Distributors, Inc.
American Marine Underwriters, Inc.	NWD Asset Management Holdings, Inc.
Crestbrook Insurance Company	NWD Investment Management, Inc.
Depositors Insurance Company	NWD Management & Research Trust
DVM Insurance Agency, Inc.	Pension Associates, Inc.
Freedom Specialty Insurance Company	Pet Healthcare Services, Inc.
Insurance Intermediaries, Inc.	Premier Agency, Inc.
Lone Star General Agency, Inc.	Provfirst America Corporation
National Casualty Company	Provident Mutual Holding Company
Nationwide Advantage Mortgage Company	Registered Investment Advisors Services, Inc.
Nationwide Affinity Insurance Company of America	Riverview International Group, Inc.
Nationwide Agribusiness Insurance Company	Scottsdale Indemnity Company
Nationwide Assurance Company	Scottsdale Insurance Company
Nationwide Bank	Scottsdale Surplus Lines Insurance Company
Nationwide Cash Management Company	THI Holdings (Delaware), Inc.
Nationwide Corporation	Titan Auto Insurance of New Mexico, Inc.
Nationwide Financial General Agency, Inc.	Titan Indemnity Company
Nationwide Financial Institution Distribution	Titan Insurance Company
Agency, Inc.	Titan Insurance Services, Inc.
Nationwide Financial Services, Inc.	V.P.I. Services, Inc.
Nationwide General Insurance Company	Veterinary Pet Insurance Company
Nationwide Global Holdings, Inc.	Veterinary Pet Insurance Services, Inc.
Nationwide Global Ventures, Inc.	Victoria Automobile Insurance Company
Nationwide Indemnity Company	Victoria Fire & Casualty Company
Nationwide Insurance Company of America	Victoria National Insurance Company

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Nationwide Insurance Company of Florida	Victoria Select Insurance Company
Nationwide Lloyds	Victoria Specialty Insurance Company
Nationwide Mutual Insurance Company	WI of Florida, Inc.
Nationwide Property and Casualty Ins. Company	Western Heritage Insurance Company
Nationwide Retirement Solutions, Inc.	Whitehall Holdings, Inc.
Nationwide Retirement Solutions, Inc. of Arizona	

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

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

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

The Company 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 \$64.3 million and \$78.1 million as of December 31, 2011 and 2010, respectively, and are included in short-term investments on the accompanying statutory statements of admitted assets, liabilities, capital and surplus.

B. Detail of Transactions Greater than 1/2 % of Admitted Assets

On January 14, 2011, the Company purchased 42,000 shares of \$12 par value common stock of Freedom Specialty Insurance Company, an affiliated company.

On March 8 and November 30, 2010, the Company made \$900 thousand and \$100 thousand capital contributions, respectively, to Freedom Specialty Insurance Company, an affiliated company.

C. Change in Terms of Intercompany Arrangements

Effective January 1, 2011, the Company entered into a 100% quota share reinsurance agreement with Veterinary Pet Insurance Company (VPI). Previously, the Company ceded 80% of the quota share activity to VPI.

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

D. Amounts Due to or from Related Parties

Affiliate receivables and payables are the result of cost sharing and intercompany service agreements between the Company and its parent and affiliates in which settlement has not yet occurred. Affiliate receivables are presented gross of affiliate payables when the Company has the right to offset. The Company reported \$28.3 million and \$35.0 million due from parent at December 31, 2011 and 2010, respectively. The Company reported gross amounts of \$141.9 million and \$35.1 million due from parent and affiliates and \$3.4 million and \$12.9 million due to parent and affiliates at December 31, 2011 and 2010, respectively. These arrangements are subject to written agreements which require that intercompany balances be settled within 30 days.

E. Guarantees or Undertakings for Related Parties

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

F. Management, Service Contracts, Cost Sharing Arrangements

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

G. Nature of Relationships that Could Affect Operations

Not applicable.

H. Amount Deducted for Investment in Upstream Company

Not applicable.

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

Not applicable.

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

Not applicable.

NOTES TO FINANCIAL STATEMENTS

K. Investment in a foreign insurance subsidiary

Not applicable.

L. Downstream Holding Company

Not applicable.

Note 11 - Debt

A. All Other Debt

Not applicable.

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

Not applicable.

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

A. Defined Benefit Plans

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

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

Pension costs charged to operations by the Company were \$2.6 million and \$2.2 million for the years ended December 31, 2011 and 2010, respectively. The Company recorded a prepaid pension asset of \$6.5 million and \$9.7 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.

The Company's net periodic postretirement benefit costs (NPPBC) were \$453.0 thousand and \$494.0 thousand for the years ended December 31, 2011 and 2010, respectively. The Company recorded a prepaid postretirement asset of \$1.5 million and \$1.3 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 ¹	\$3,467,531,752	\$3,114,222,167	\$182,423,752	\$203,065,361
b. Service cost	118,815,384	108,489,513	12,149,034	12,815,714
c. Interest cost	183,334,210	180,126,612	8,945,683	9,108,577
d. Contribution by plan participants	0	0	0	0
e. Actuarial (gain) loss	695,679,768	233,348,094	16,971,883	(27,248,328)
f. Foreign currency exchange rate changes	0	0	0	0
g. Benefits paid	(174,895,709)	(168,654,634)	(16,852,262)	(15,317,572)
h. Plan amendments ¹	0	0	0	0
i. Plan curtailment	0	0	0	0
j. Acquisition	0	0	0	0
k. Benefit obligation at end of year	\$4,290,465,405	\$3,467,531,752	\$203,638,090	\$182,423,752

NOTES TO FINANCIAL STATEMENTS

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				
a. Unamortized prior service cost	\$(363,653,636)	\$125,322,838	\$(41,152,560)	\$(26,135,024)
b. Unrecognized net (gain) or loss	(142,763,703)	(159,226,852)	(7,591,982)	(9,258,029)
c. Remaining net obligation or (net asset) at initial date of application	574,034,585	151,006,924	59,054,183	39,698,635
d. Prepaid assets or (accrued liabilities)	(27,793,626)	(2,748,415)	0	0
e. Intangible asset	0	0	N/A	N/A
4. Accumulated benefit obligation for vested employees and partially vested employees to the extent vested	\$3,797,507,482	\$3,093,646,043	N/A	N/A
5. Benefit obligation for non-vested employees				
a. Projected benefit obligation	\$6,004,702	\$8,853,933	\$107,740,462	\$92,474,142
b. Accumulated benefit obligation	3,086,304	16,555,613	N/A	N/A
6. Components of net periodic benefit cost				
a. Service cost	\$118,815,384	\$108,489,513	\$12,149,034	\$12,815,714
b. Interest cost	183,334,210	180,126,612	8,945,683	9,108,577
c. Expected return on plan assets	(218,960,167)	(204,470,254)	(9,766,851)	(9,139,011)
d. Amortization of incremental asset	0	(7,829,496)	0	0
e. Amount of recognized (gains) and losses	430,772	0	1,186,384	907,018
f. Amount of prior service cost recognized	(16,463,149)	(16,463,149)	(1,666,047)	(1,666,047)
g. Amount of recognized (gain) or loss due to a settlement or curtailment	0	0	0	0
h. Total net periodic benefit cost	\$67,157,050	\$59,853,226	\$10,848,203	\$12,026,251

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

7. A minimum pension liability is required when the actuarial present value of accumulated benefits exceeds plan assets and accrued pension liabilities. The Company recorded a minimum pension liability of \$27.8 million and \$2.8 million as of December 31, 2011 and 2010, respectively.
8. The following table is the basis of measurement for plan liabilities and is relevant for items 1-4 above:

Weighted-average assumptions as of December 31,	Pension Benefits		Postretirement Benefits	
	2011	2010	2011	2010
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.

NOTES TO FINANCIAL STATEMENTS

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

9. Nationwide uses December 31 as the measurement date.
10. The following table shows the assumed health care cost trend rates for postretirement benefits other than pension:

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

11. As a result of the 2004 postretirement health plan change, the effect of a one percentage point change in the trend assumption on the accumulated postretirement benefit obligation (APBO) as a whole was not material as of December 31, 2011 and 2010 due to the plan caps.
12. The following table shows the asset allocation for the pension plan at the end of 2011 and 2010 by asset category:

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

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

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS

B. Defined Contribution Plans

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

C. Multiemployer Plans

Not applicable.

D. Consolidated/Holding Company Plans

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

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

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

E. Postemployment Benefits and Compensated Absences

Not applicable.

F. Impact of Medicare Modernization Act on Postretirement Benefits

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

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

A. Outstanding Shares

The Company has 100,000 shares of \$200 par value common stock authorized and 30,136 issued and outstanding.

B. Dividend Rate of Preferred Stock

Not applicable.

C. Dividend Restrictions

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

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 \$69,259,574 less applicable deferred taxes of \$2,806,328, for a net unrealized capital gain of \$66,453,246.

NOTES TO FINANCIAL STATEMENTS

K. Surplus Notes

Not applicable.

L. and M. Quasi Reorganizations

Not applicable.

Note 14 – Contingencies

A. Contingent Commitments

The Company committed to adding additional capital or renegotiating the reinsurance agreement between itself and Veterinary Pet Insurance Company, or both, in order to maintain the capital and surplus of Veterinary Pet Services at or above the minimum requirements of the California Insurance Department of \$2.0 million.

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.

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 are written. In the case of loss-based assessments, the assessments should be accrued at the time the losses are incurred.

As of December 31, 2011 and 2010, the Company accrued a liability for guaranty fund and other assessments of \$1.0 million and \$1.5 million and a related premium tax benefit asset of \$519 thousand and \$756 thousand, 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 policy holder surcharges prior year-end	\$ 755,987
Decreases current year:	
Premium tax offsets applied	\$ 134,499
Change in accrued premium tax offsets	\$ 102,269
Assets recognized from paid and accrued premium tax offsets and policy holder surcharges current year-end	\$ 519,219

C. Gain Contingencies

Not applicable.

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

Not applicable.

E. Product Warranties

Not applicable.

F. All Other Contingencies

Various lawsuits arise against the Company in the normal course of the Company's business. Contingent liabilities arising from litigation and other matters were \$2.4 million and \$2.5 million in 2011 and 2010, respectively.

Note 15 – Leases

A. Lessee Leasing Arrangements

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. Financial Instruments with Off-Balance Sheet Risk

Not applicable.

B. Financial Instruments with Concentrations of Credit Risk

Not applicable.

C. Exposure to Credit-Related Losses

Not applicable.

D. Collateral Policy

Not applicable.

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 financial assets where it was not practicable to estimate their fair value.
 - 2. The Company has entered into a securities lending agreement with an agent bank whereby eligible securities may be loaned to third parties, primarily major brokerage firms. These transactions are used to generate additional income on the securities portfolio. Loaned securities continue to be reported as invested assets and the Company is entitled to receive any payments of interest or dividends paid on loaned securities. The agreement requires a minimum of 102% of the fair value of loaned securities to be held as collateral. Cash collateral received from borrowers is reflected as a "Payable for securities lending" on the "Statement of Liabilities, Surplus and Other Funds" while non-cash collateral is recorded off-balance sheet. Cash collateral received is reinvested by the agent bank in accordance with the Company's authorized investment policy and included in "Securities lending reinvested collateral assets" in the "Statement of Assets". If the fair value of the reinvested collateral assets is less than the fair value of the securities loaned, the shortfall is non-admitted. Because the borrower or the Company may terminate a securities lending transaction at any time, if loans are terminated in advance of the reinvested collateral asset maturities, the Company would repay its securities lending obligation from operating cash flows or the proceeds of sales from its investment portfolio, which includes significant liquid securities.

The fair value of loaned securities was \$14,513,036, 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.

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

The fair value hierarchy levels are as follows:

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets at Fair Value				
U.S. Government bonds	-	-	-	-
States, Territories and Possessions	-	-	-	-
Political subdivisions	-	-	-	-
Special revenues	-	-	-	-
Hybrid Securities	-	-	-	-
Credit tenant loans	-	-	-	-
Industrial & Misc.	-	6,413,374	-	6,413,374
Total Bonds	\$ -	\$ 6,413,374	\$ -	\$ 6,413,374
Sec Lending	-	61,589	-	61,589
Preferred Stocks	-	-	-	-
Common Stocks	67,634	-	-	67,634
Loans held for sale	-	-	-	-
Separate Account Assets	-	-	-	-
Derivative Assets	-	-	-	-
Total Assets at Fair Value	\$ 67,634	\$ 6,474,964	\$ -	\$ 6,542,598
Liabilities at Fair Value				
Derivatives Liabilities	-	-	-	-
Total Liabilities at Fair Value	\$ -	\$ -	\$ -	\$ -

Note 21 - Other Items

A. Extraordinary Items

Not applicable.

B. Troubled Debt Restructuring for Debtors

Not applicable.

C. Other Disclosures

Not applicable.

D. Uncollectible Premiums Receivable

Not applicable.

E. Business Interruption Insurance Recoveries

Not applicable.

F. State Transferable and Non-Transferable Tax Credits

Not applicable.

G. Subprime Mortgage Related Risk Exposure

In general, recent market activity has negatively impacted the valuation of securities containing sub-prime collateral, which are classifications of investments in which the Company invests. The Company evaluates many characteristics when classifying collateral as sub-prime, including 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.

NOTES TO FINANCIAL STATEMENTS

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.

As of December 31, 2011, the Company has no exposure to investments containing sub-prime collateral in any asset categorization.

Note 22 - Events Subsequent

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

Note 23 – Reinsurance

A. Unsecured Reinsurance Recoverables

The Company has unsecured aggregate reinsurance recoverable for paid and unpaid losses, loss adjustment expenses, and unearned premiums from individual reinsurers, authorized or unauthorized, that exceeds 3% of policyholders' surplus in the amount of \$329,933. The amount is shown below by reinsurer.

NAIC Code	Federal ID #	Name of Reinsurer	Amount
10829	06-1481194	Alterra Reinsurance USA I	\$30,570
20370	51-0434766	Axis Reinsurance Company	\$24,685
11551	35-2293075	Endurance Reinsurance Cor	\$34,447
00000	AA-1340125	Hannover Rückversicherun	\$24,492
10227	13-4924125	Munich Reinsurance America	\$41,736
38776	13-2997499	Sirius America Insurance	\$35,488
19453	13-5616275	Transatlantic Reins Co	\$41,913
42285	95-3750113	Veterinary Pet Insurance	\$96,602
			\$329,933

B. Reinsurance Recoverable in Dispute

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

C. Reinsurance Assumed and Ceded

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

(000's)	Assumed		Ceded		Assumed Less Ceded	
	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity
a. Affiliates	\$697,376	\$135,247	\$864,586	\$202,632	(\$167,210)	(\$67,385)
b. All Others	2,398	1,038	102,350	29,095	(\$99,951)	(\$28,058)
c. Totals	\$699,775	\$136,285	\$966,936	\$231,728	(\$267,161)	(\$95,443)
d. Direct Unearned Premium Reserve			\$491,831			

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	\$122,071	\$22,407	\$135,145	\$9,334
b. Sliding Scale Adjustments	0	0	0	0
c. Other Profit Commissions	0	0	0	0
d. Totals	\$122,071	\$22,407	\$135,145	\$9,334

D. Uncollectible Reinsurance

During the most recent year, the Company wrote off reinsurance balances of (\$96,786). This amount is shown below by statement of income classification and by reinsurer.

Statement of Income Account	Amount
1. Losses Incurred	(\$109,460)
2. Loss adjustment expenses Incurred	12,743
3. Premiums earned	(69)
4. Other	-
Total	(\$96,786)

NOTES TO FINANCIAL STATEMENTS

Reinsurer	Amount
Aneco Reins Und	(\$3,345)
Beacon Insurance Company	37,315
Burt Syndicate	(41,416)
Central Natl Ins Co	(7,831)
Chesapeake Ins Co	(65,492)
Classic Fire & Marine Insurance Co	(2,454)
El Paso Insurance Co	(1,301)
Folksam International	1,546
Gothaer Ruckversicherungs	(61)
Heartland Group Syndicate	8,063
HIH Casualty & General Insurance Ltd	4,295
KIC Limited	(65,492)
Kingscroft Insurance Co	(2,530)
Limestreet Insurance Co	(1,149)
Millers National Ins Co	(240)
Mutual Fire & Inland Marine	39,419
Mutual Reinsurance Co	(1,168)
NEM Reinsurance Co	24,189
New York Insurance Exchange	13,520
Norad Reins Co Ltd	(44,479)
Paladin Re Bermuda	49,535
River Plate Reinsurance Co	(442)
Sovereign Marine & General	4,225
Transit Casualty Company	(37,500)
Walbrook Insurance Co	(3,993)
	(\$96,786)

E. Commutation of Ceded Reinsurance

The Company commuted several reinsurance treaties with the reinsurers listed below, requiring annual adjustments to reflect the release to the reinsurers from their obligations under the treaties. The net effect of the commutations for the current year was an increase in losses and loss adjustment expenses of \$1,525,755. This amount is shown below by Statement of Income classification and by reinsurer.

Statement of Income Account	Amount
1. Losses Incurred	\$908,208
2. Loss adjustment expenses Incurred	613,830
3. Premiums earned	3,717
4. Other	-
Total	\$1,525,755

Reinsurer	Amount
American Centennial Ins	\$27,414
Atlantic Mutual Insurance Co	(17,677)
Candon Syndicate	8,064
Converium Reinsurance North America	42,558
CX Reinsurance Company	270,501
Dominion Ins Company Ltd	3,492
Dorinco Reinsurance Co	(4,168)
Essex Insurance Co	23
Excalibur Reinsurance Corporation	(350,824)
First New York Syndicate	53,306
Fremont Indemnity	4,561
Imperial Casualty	117,039
Maiden Lane Syndicate	15,297
Municipal General Ins Co	345,397
Reliance Insurance Company	49,242
Rosemont Reinsurance Limited	66,065
San Francisco Re Co	87,030
South Place Syndicate	15,296
Swiss Reinsurance America Corp	258,608
Trenwick America Reinsurance Corp	534,531
	\$1,525,755

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.

NOTES TO FINANCIAL STATEMENTS

- 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 \$29,276, or 0.4% of accident and health premiums written.

D. Medical Loss Ratio Rebates

Not applicable.

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			2011 Loss Year Losses and LAE Incurred	Shortage (Redundancy)	Loss & DCC Shortage (Redundancy)	Impact of AO on Total Shortage (Redundancy)
	Losses Incurred	LAE Incurred	Totals				
Homeowners / Farmowners	99,240	11,972	111,212	115,284	(4,072)	(3,885)	(187)
Commercial Multiple Peril	35,516	7,235	42,751	46,424	(3,673)	(3,884)	211
Workers' Compensation	6,484	902	7,386	7,375	10	32	(22)
Other Liability	12,326	7,425	19,751	26,152	(6,401)	(7,159)	758
Product Liability	2,726	1,127	3,852	2,402	1,451	1,427	23
Auto	194,490	33,782	228,272	232,023	(3,750)	(4,764)	1,014
All Others	22,701	2,045	24,747	23,057	1,690	1,570	120
Totals	373,483	64,488	437,970	452,717	(14,746)	(16,663)	1,916

The estimated cost of loss and loss adjustment expenses attributable to insured events of prior years decreased by \$14.7 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 Mutual (NAIC # 23787) whereby Mutual 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 Mutual: 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. Mutual 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 the Company. The Company then cedes this business to Mutual.

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

	<u>NAIC #</u>	<u>POOL</u>
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%

NOTES TO FINANCIAL STATEMENTS

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

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 \$6.0 million and \$6.5 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 incurr date, reduced by one hundred basis points (rates used vary from 4.00% to 10.25%).
3. The December 31, 2011 liabilities include \$36,289 of such discounted reserves.
4. The amount of tabular interest discount for Other (including Credit, Accident and Health) is \$24,877.

B. Non-Tabular Discounts

The Company does not have any non-tabular discount.

C. Changes in Discount Assumptions

Not applicable.

NOTES TO FINANCIAL STATEMENTS

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:

	Asbestos Claims - Direct	2007	2008	2009	2010	2011
	Beginning Reserves:	2,026,372	1,931,845	1,831,884	1,724,389	1,740,363
	Incurred Loss and Loss Adj. Expense:	93,190	35,731	62,086	254,948	72,979
	Calendar Year Payments:	187,718	135,693	169,582	238,975	243,759
	Ending Reserve:	1,931,845	1,831,884	1,724,389	1,740,363	1,569,583
(2)	Asbestos Claims - Assumed					
(3)	Asbestos Claims - Net	2007	2008	2009	2010	2011
	Beginning Reserves:	396,115	347,088	347,387	346,557	368,203
	Incurred Loss and Loss Adj. Expense:	(15,831)	14,907	9,824	61,435	(15,376)
	Calendar Year Payments:	33,196	14,608	10,653	39,789	12,472
	Ending Reserve:	347,088	347,387	346,557	368,203	340,355
B.	Bulk and IBNR Losses and LAE					
(1)	Direct					1,183,432
(2)	Assumed					None
(3)	Net of Ceded Reinsurance					280,016
C.	Case, Bulk and IBNR LAE					
(1)	Direct					836,260
(2)	Assumed					None
(3)	Net of Ceded Reinsurance					143,000
D.	See A above					
(1)	Environmental Claims - Direct	2007	2008	2009	2010	2011
	Beginning Reserves:	1,425,468	1,285,916	1,213,868	1,154,451	1,124,932
	Incurred Loss & Loss Adj. Expense:	121,782	37,042	28,648	43,557	(6,524)
	Calendar Year Payments:	261,334	109,090	88,063	73,075	80,670
	Ending Reserve:	1,285,916	1,213,868	1,154,451	1,124,932	1,037,737
(2)	Environmental Claims - Assumed					
(3)	Environmental Claims - Net	2007	2008	2009	2010	2011
	Beginning Reserves:	1,150,912	1,029,344	976,184	1,005,827	980,036
	Incurred Loss and Loss Adj. Expense:	121,766	36,710	106,148	43,454	18,921
	Calendar Year Payments:	243,333	89,870	76,505	69,245	77,459
	Ending Reserve:	1,029,344	976,184	1,005,827	980,036	921,498
E.	Bulk and IBNR Losses and LAE					
(1)	Direct					840,362
(2)	Assumed					None
(3)	Net of Ceded Reinsurance					740,000
F.	Case, Bulk and IBNR LAE					
(1)	Direct					398,646
(2)	Assumed					None
(3)	Net of Ceded Reinsurance					335,600

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.

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY
GENERAL INTERROGATORIES

**PART 1 - COMMON INTERROGATORIES
 GENERAL**

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [] No []
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [] No [] N/A []
- 1.3 State Regulating? OH
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No []
- 2.2 If yes, date of change: _____
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2011
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2006
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 03/29/2008
- 3.4 By what department or departments?
 OH
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [] No [] N/A []
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [] No [] N/A []
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
 4.11 sales of new business? Yes [] No []
 4.12 renewals? Yes [] No []
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
 4.21 sales of new business? Yes [] No []
 4.22 renewals? Yes [] No []
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No []
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.
- | | | |
|---------------------|------------------------|------------------------|
| 1
Name of Entity | 2
NAIC Company Code | 3
State of Domicile |
|---------------------|------------------------|------------------------|
- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No []
- 6.2 If yes, give full information:

- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No []
- 7.2 If yes,
 7.21 State the percentage of foreign control; %
 7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).
- | | |
|------------------|---------------------|
| 1
Nationality | 2
Type of Entity |
|------------------|---------------------|

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY
GENERAL INTERROGATORIES

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
 8.2 If response to 8.1 is yes, please identify the name of the bank holding company:
 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [X] No []
 8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
Nationwide Bank	Columbus, OH	NO	YES	NO	NO	NO
Nationwide Mutual Insurance Company	Columbus, OH	YES	NO	NO	NO	NO
Nationwide Mutual Fire Insurance Company	Columbus, OH	YES	NO	NO	NO	NO
Nationwide Corporation	Columbus, OH	YES	NO	NO	NO	NO
Nationwide Financial Services, Inc.	Columbus, OH	YES	NO	NO	NO	NO
Nationwide Investment Services Corp.	Columbus, OH	NO	NO	NO	NO	YES
Nationwide Investment Advisors, LLC	Columbus, OH	NO	NO	NO	NO	YES
Nationwide Securities, LLC	Dublin, OH	NO	NO	NO	NO	YES
Nationwide SA Capital Trust	King of Prussia, PA	NO	NO	NO	NO	YES
Nationwide Fund Advisors	King of Prussia, PA	NO	NO	NO	NO	YES
Nationwide Fund Distributors, LLC	King of Prussia, PA	NO	NO	NO	NO	YES
Nationwide Asset Management, LLC	Columbus, OH	NO	NO	NO	NO	YES

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
 KPMG LLP, 191 W. Nationwide Blvd., Suite 500, Columbus, OH 43215
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [] No [X]
 10.2 If the response to 10.1 is yes, provide information related to this exemption:
 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [] No [X]
 10.4 If the response to 10.3 is yes, provide information related to this exemption:
 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [X] No [] N/A []
 10.6 If the response to 10.5 is no or n/a, please explain
 11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
 Leslie R. Marlo, FCAS, MAAA, KPMG LLP, 100 Matsonford Road, Radnor, PA 19087, Managing Director
 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]
 12.11 Name of real estate holding company
 12.12 Number of parcels involved
 12.13 Total book/adjusted carrying value \$
 12.2 If, yes provide explanation:
 13. **FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:**
 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []
 13.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []
 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A []
 14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No []
 (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
 (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
 (c) Compliance with applicable governmental laws, rules and regulations;
 (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
 (e) Accountability for adherence to the code.
 14.11 If the response to 14.1 is No, please explain:
 14.2 Has the code of ethics for senior managers been amended? Yes [] No [X]
 14.21 If the response to 14.2 is yes, provide information related to amendment(s).
 14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [] No [X]
 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY
GENERAL INTERROGATORIES

- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance with a NAIC rating of 3 or below? Yes [] No [X]
 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [X] No []
 17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No []
 18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict with the official duties of such person? Yes [X] No []

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [] No [X]
 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
 20.11 To directors or other officers \$
 20.12 To stockholders not officers \$
 20.13 Trustees, supreme or grand (Fraternal Only) \$
 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
 20.21 To directors or other officers \$
 20.22 To stockholders not officers \$
 20.23 Trustees, supreme or grand (Fraternal Only) \$
 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]
 21.2 If yes, state the amount thereof at December 31 of the current year:
 21.21 Rented from others \$
 21.22 Borrowed from others \$
 21.23 Leased from others \$
 21.24 Other \$
 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [] No [X]
 22.2 If answer is yes:
 22.21 Amount paid as losses or risk adjustment \$
 22.22 Amount paid as expenses \$
 22.23 Other amounts paid \$
 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []
 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 28,343,668

INVESTMENT

- 24.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.3) Yes [] No [X]
 24.2 If no, give full and complete information relating thereto
 Held on Deposit with States
 24.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)
 Nationwide utilizes a third party to administer its Securities Lending program. Securities are loaned to approved counterparties, who in turn post cash collateral to Nationwide. The amount of cash collateral received is calculated as a percentage of the market value of the security being lent. The cash is subsequently reinvested based upon a Nationwide approved Investment Policy. The collateral received by Nationwide and the corresponding payable to the counterparties are recorded on balance sheet. Additionally, Nationwide participates in a Cash Release Program. Nationwide can borrow a limited amount of cash from the program subject to the underwriting of the plan administrator. Nationwide pays 1 month LIBOR on the borrowings, a majority of which comes back to Nationwide as earnings on the securities lending program. As of December 31, 2011, Nationwide had loaned \$14,513,036 to approved counterparties and received collateral amounts of \$14,828,900.
 24.4 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [X] No [] N/A []
 24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs. \$ 14,652,947
 24.6 If answer to 24.4 is no, report amount of collateral for other programs. \$
 24.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [X] No [] N/A []
 24.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [X] No [] N/A []
 24.9 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities lending Agreement (MSLA) to conduct securities lending? Yes [X] No [] N/A []

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY
GENERAL INTERROGATORIES

- 25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.3). Yes [X] No []
- 25.2 If yes, state the amount thereof at December 31 of the current year:
- | | |
|--|---------------|
| 25.21 Subject to repurchase agreements | \$ |
| 25.22 Subject to reverse repurchase agreements | \$ |
| 25.23 Subject to dollar repurchase agreements | \$ |
| 25.24 Subject to reverse dollar repurchase agreements | \$ |
| 25.25 Pledged as collateral | \$ |
| 25.26 Placed under option agreements | \$ |
| 25.27 Letter stock or other securities restricted as to sale | \$ |
| 25.28 On deposit with state or other regulatory body | \$ |
| 25.29 Other | \$ 10,907,629 |

- 25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]
- 26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] N/A []
 If no, attach a description with this statement.
- 27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]
- 27.2 If yes, state the amount thereof at December 31 of the current year. \$
28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

- 28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
The Bank of New York Mellon	1 Wall Street, New York, NY 10286
Royal Trust	77 King St. West, 10th Flr., Toronto, ON M5W 1P9

- 28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

- 28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [] No [X]
- 28.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

- 28.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
N/A	Members of the investment staff designated by the Chief Investment Officer as detailed in the Corporate Resolution.	One Nationwide Plaza, Columbus, OH 43215-2220

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY
GENERAL INTERROGATORIES

- 29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])? Yes [] No [X]
 29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
29.2999 - Total		

- 29.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	891,782,194	994,022,725	102,240,531
30.2 Preferred stocks			
30.3 Totals	891,782,194	994,022,725	102,240,531

- 30.4 Describe the sources or methods utilized in determining the fair values:

For fixed maturity and marketable equity securities for which market quotations generally are available, Nationwide generally uses independent pricing services to assist in determining the fair value measurement. For certain fixed maturity securities not priced by independent services (generally private placement securities without quoted market prices), an internally developed pricing model or "corporate pricing matrix" is most often used. The corporate pricing matrix is developed by obtaining private spreads versus the U.S. Treasury yield for corporate securities with varying weighted average lives and bond ratings. The weighted average life and bond rating of a particular fixed maturity security to be priced using the corporate matrix are important inputs into the model and are used to determine a corresponding spread that is added to the U.S. Treasury yield to create an estimated market yield for that bond. The estimated market yield and other relevant factors are then used to estimate the fair value of the particular fixed maturity security. Nationwide also utilized broker quotes to assist in pricing securities or to validate modeled prices.

- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [X] No []
 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [] No [X]
 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:
 Nationwide relies on broker valuations only when an approved third party vendor evaluation is not available. Any exceptions are approved by Risk Management and the Middle Office and reviewed by the Investments Pricing Committee. The brokers used to value securities are deemed to be main market makers for each individual security and therefore have in depth knowledge of the particular issue.
- 32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No []
 32.2 If no, list exceptions:

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY
GENERAL INTERROGATORIES

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?\$

33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
All payments are made by Nationwide Mutual Insurance Company and are reported in its Annual Statement.	
.....

34.1 Amount of payments for legal expenses, if any?\$

34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
All payments are made by Nationwide Mutual Insurance Company and are reported in its Annual Statement.	
.....

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?\$

35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
All payments are made by Nationwide Mutual Insurance Company and are reported in its Annual Statement.	
.....

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY
GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

1.1	Does the reporting entity have any direct Medicare Supplement Insurance in force?	Yes [] No [X]
1.2	If yes, indicate premium earned on U. S. business only.	\$
1.3	What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?	\$
1.31	Reason for excluding	
1.4	Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.	\$
1.5	Indicate total incurred claims on all Medicare Supplement Insurance.	\$
1.6	Individual policies:	Most current three years: 1.61 Total premium earned 1.62 Total incurred claims 1.63 Number of covered lives
		All years prior to most current three years 1.64 Total premium earned 1.65 Total incurred claims 1.66 Number of covered lives
1.7	Group policies:	Most current three years: 1.71 Total premium earned 1.72 Total incurred claims 1.73 Number of covered lives
		All years prior to most current three years 1.74 Total premium earned 1.75 Total incurred claims 1.76 Number of covered lives
2.	Health Test:	1 Current Year 2 Prior Year
2.1	Premium Numerator	
2.2	Premium Denominator	569,188,415 577,521,084
2.3	Premium Ratio (2.1/2.2)	0.000 0.000
2.4	Reserve Numerator	220,562 221,200
2.5	Reserve Denominator	691,573,954 690,514,743
2.6	Reserve Ratio (2.4/2.5)	0.000 0.000
3.1	Does the reporting entity issue both participating and non-participating policies?	Yes [] No [X]
3.2	If yes, state the amount of calendar year premiums written on:	3.21 Participating policies 3.22 Non-participating policies
4.	For mutual reporting Entities and Reciprocal Exchanges Only:	
4.1	Does the reporting entity issue assessable policies?	Yes [] No []
4.2	Does the reporting entity issue non-assessable policies?	Yes [] No []
4.3	If assessable policies are issued, what is the extent of the contingent liability of the policyholders?	%
4.4	Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums.	\$
5.	For Reciprocal Exchanges Only:	
5.1	Does the Exchange appoint local agents?	Yes [] No []
5.2	If yes, is the commission paid:	5.21 Out of Attorney's-in-fact compensation Yes [] No [] N/A [] 5.22 As a direct expense of the exchange Yes [] No [] N/A []
5.3	What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?	
5.4	Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred?	Yes [] No []
5.5	If yes, give full information	

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY
GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

- 6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss?
 The Company's net exposure arises from its participation in the Nationwide Mutual Insurance Company Pool. Exposure of the Pooled Companies to a Workers' Compensation catastrophe is protected by a Liability Excess of Loss (Clash) treaty providing \$90M limit excess of \$10M per occurrence retention and containing a \$10M per claimant limit.
- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process.
 The Company's net exposure arises from its participation in the Nationwide Mutual Insurance Company Pool. Catastrophic risk to the Pool arises primarily from windstorm events in the southeastern United States affecting personal and commercial lines. The Company's property exposures are aggregated with the other Nationwide companies and modeled using Applied Insurance Research (AIR) CLASIC/2.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
 The Company's net property-catastrophe exposures, if any, are mitigated through managed coastal growth, purchase of excess of loss reinsurance, policy provisions such as higher deductibles, and enforcement of underwriting guidelines related to building construction, etc.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [X] No []
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss.
- 7.1 Has this reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss ratio cap, an aggregate limit or any similar provisions)? Yes [X] No []
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions: 1
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [X] No []
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [] No [X]
- 8.2 If yes, give full information
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
 (a) A contract term longer than two years and the contract is noncancelable by the reporting entity during the contract term;
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 (c) Aggregate stop loss reinsurance coverage;
 (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [] No [X]
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [] No [X]
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 32 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [] No [X]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
 (a) The entity does not utilize reinsurance; or, Yes [] No [X]
 (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [] No [X]
 (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [] No [X]
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurance a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [X] No [] N/A []

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY
GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force? Yes [] No [X]
- 11.2 If yes, give full information
.....
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
 12.11 Unpaid losses \$
 12.12 Unpaid underwriting expenses (including loss adjustment expenses) \$
- 12.2 Of the amount on Line 15.3, Page 2, state the amount which is secured by letters of credit, collateral, and other funds \$
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [] No [X] N/A []
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
 12.41 From %
 12.42 To %
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [] No [X]
- 12.6 If yes, state the amount thereof at December 31 of the current year:
 12.61 Letters of credit \$
 12.62 Collateral and other funds \$
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 960,000
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [] No [X]
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 3
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [X] No []
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
Companies that are not part of the Nationwide Mutual Insurance Company Pooling and Quota Share Arrangements receive a fair and equitable allocation of ceded premium and loss. The terms of the Nationwide Pooling and Quota Share Agreements govern the allocation and recording of ceded premium and loss for the participating companies.
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes [] No [X]
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes [] No [X]
- 14.5 If the answer to 14.4 is no, please explain:
Written agreements are in place for all multi-cedant reinsurance treaties that cover any company that does not participate in the Nationwide Mutual Insurance Company Pooling and Quota Share Arrangements.
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [] No [X]
- 15.2 If yes, give full information
.....
- 16.1 Does the reporting entity write any warranty business? Yes [X] No []
If yes, disclose the following information for each of the following types of warranty coverage:

	1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
16.11 Home					
16.12 Products					
16.13 Automobile	5,699,616	359,251	6,366,963	7,915,744	6,813,082
16.14 Other*					

* Disclose type of coverage:
.....

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY
GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F - Part 3 that it excludes from Schedule F - Part 5? Yes [] No [X]

Incurred but not reported losses on contracts in force prior to July 1, 1984, and not subsequently renewed are exempt from inclusion in Schedule F - Part 5. Provide the following information for this exemption:

17.11 Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	\$
17.12 Unfunded portion of Interrogatory 17.11	\$
17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$
17.14 Case reserves portion of Interrogatory 17.11	\$
17.15 Incurred but not reported portion of Interrogatory 17.11	\$
17.16 Unearned premium portion of Interrogatory 17.11	\$
17.17 Contingent commission portion of Interrogatory 17.11	\$

Provide the following information for all other amounts included in Schedule F - Part 3 and excluded from Schedule F - Part 5, not included above.

17.18 Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	\$
17.19 Unfunded portion of Interrogatory 17.18	\$
17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$
17.21 Case reserves portion of Interrogatory 17.18	\$
17.22 Incurred but not reported portion of Interrogatory 17.18	\$
17.23 Unearned premium portion of Interrogatory 17.18	\$
17.24 Contingent commission portion of Interrogatory 17.18	\$

18.1 Do you act as a custodian for health savings accounts? Yes [] No [X]

18.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$

18.3 Do you act as an administrator for health savings accounts? Yes [] No [X]

18.4 If yes, please provide the balance of funds administered as of the reporting date. \$

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY
FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e. 17.6.

	1 2011	2 2010	3 2009	4 2008	5 2007
Gross Premiums Written (Page 8, Part 1B Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,592,172,746	1,456,589,457	1,469,903,677	1,514,578,939	1,650,847,652
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	399,866,047	367,821,234	379,957,817	389,898,193	424,493,038
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	632,159,259	570,290,909	553,752,201	541,245,573	551,329,526
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	59,202,845	49,430,288	41,435,829	61,886,242	73,377,584
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	51	2,874	1,235	5,216	6,079
6. Total (Line 35)	2,683,400,948	2,444,134,762	2,445,050,759	2,507,614,163	2,700,053,879
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	250,785,278	252,019,507	260,611,059	271,449,775	278,376,725
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	138,556,881	139,999,087	144,028,994	151,692,358	150,530,853
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	172,258,722	169,242,486	170,426,334	177,566,094	180,427,760
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	10,830,620	10,311,202	8,621,597	10,190,687	12,402,986
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	51	2,874	1,235	5,216	6,079
12. Total (Line 35)	572,431,552	571,575,156	583,689,219	610,904,130	621,744,402
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(62,328,299)	(6,194,967)	(23,336,035)	(42,131,828)	8,773,985
14. Net investment gain or (loss) (Line 11)	39,118,800	38,300,554	48,464,951	42,719,736	51,222,790
15. Total other income (Line 15)	6,583,786	6,706,494	5,524,188	7,189,229	6,993,407
16. Dividends to policyholders (Line 17)	306,958	260,432	210,372	499,257	372,257
17. Federal and foreign income taxes incurred (Line 19)	(5,347,897)	8,258,205	2,650,239	(2,195,897)	19,900,922
18. Net income (Line 20)	(11,584,774)	30,293,444	27,792,493	9,473,777	46,717,003
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	1,747,475,296	1,765,129,712	1,771,529,394	1,700,315,620	1,595,696,965
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	166,745,426	298,126,940	317,101,535	308,048,522	144,382,401
20.2 Deferred and not yet due (Line 15.2)	89,769,118	80,682,820	85,034,596	88,772,858	101,300,096
20.3 Accrued retrospective premiums (Line 15.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 26)	1,068,706,404	1,110,008,302	1,161,360,445	1,181,448,661	1,061,659,178
22. Losses (Page 3, Line 1)	310,802,977	323,903,492	337,795,727	333,482,687	305,933,669
23. Loss adjustment expenses (Page 3, Line 3)	66,904,127	67,844,578	71,380,783	71,700,549	.69,842,297
24. Unearned premiums (Page 3, Line 9)	224,670,185	221,431,823	227,373,527	234,813,618	233,506,745
25. Capital paid up (Page 3, Lines 30 & 31)	6,027,200	6,027,200	6,027,200	6,027,200	6,027,200
26. Surplus as regards policyholders (Page 3, Line 37)	678,768,892	655,121,410	610,168,949	518,866,959	534,037,787
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	26,098,581	14,394,580	21,707,117	41,103,293	.59,828,721
Risk-Based Capital Analysis					
28. Total adjusted capital	678,768,892	655,121,410	610,137,125	.518,866,959	534,037,787
29. Authorized control level risk-based capital	89,339,905	68,547,959	68,539,028	66,397,178	.70,643,521
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Line divided by Page 2, Line 12, Col. 3) x100.0					
30. Bonds (Line 1)	79.3	.76.3	83.4	85.3	81.8
31. Stocks (Lines 2.1 & 2.2)	17.8	16.8	15.7	12.4	9.7
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	.3	.3	.3	.4	.4
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	1.3	6.6	0.5	0.6	6.9
35. Contract loans (Line 6)					
36. Derivatives (Line 7)			XXX	XXX	XXX
37. Other invested assets (Line 8)				1.3	1.2
38. Receivables for securities (Line 9)		0.0	0.0	0.0	0.0
39. Securities lending reinvested collateral assets (Line 10)	1.3	0.0	XXX	XXX	XXX
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds (Schedule D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Schedule D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Schedule D, Summary, Line 24, Col. 1)	199,775,817	199,088,351	188,966,939	.141,083,177	117,010,122
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated				15,000,000	15,000,000
48. Total of above Lines 42 to 47	199,775,817	199,088,351	188,966,939	.156,083,177	132,010,122
49. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)	29.4	30.4	31.0	30.1	24.7

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY
FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2011	2 2010	3 2009	4 2008	5 2007
Capital and Surplus Accounts (Page 4)					
50. Net unrealized capital gains (losses) (Line 24)	6,356,175	11,824,608	31,851,678	(19,359,010)	9,961,541
51. Dividends to stockholders (Line 35)					
52. Change in surplus as regards policyholders for the year (Line 38)	23,647,482	44,952,461	91,301,990	(15,170,828)	39,873,651
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
53. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	838,480,198	773,449,985	738,140,312	635,046,667	673,948,375
54. Property lines (Lines 1, 2, 9, 12, 21 & 26)	202,363,716	178,252,167	183,495,525	214,851,477	197,238,790
55. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	363,660,026	277,843,180	273,840,959	283,236,534	228,367,367
56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	46,768,060	47,046,596	46,460,892	48,251,117	24,084,563
57. Nonproportional reinsurance lines (Lines 31, 32 & 33)		497,504	466,660	559,623	307,500
58. Total (Line 35)	1,451,272,000	1,277,089,432	1,242,404,348	1,181,945,418	1,123,946,596
Net Losses Paid (Page 9, Part 2, Col. 4)					
59. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	151,338,821	149,629,583	152,556,678	148,452,720	144,107,066
60. Property lines (Lines 1, 2, 9, 12, 21 & 26)	86,276,449	78,478,818	81,702,786	84,819,790	79,105,949
61. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	141,006,327	108,447,435	113,584,064	120,032,063	89,066,412
62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	7,961,593	8,459,667	6,804,490	7,709,933	9,825,927
63. Nonproportional reinsurance lines (Lines 31, 32 & 33)		497,504	466,660	559,623	307,500
64. Total (Line 35)	386,583,190	345,513,007	355,114,678	361,574,129	322,412,854
Operating Percentages (Page 4) (Line divided by Page 4, Line 1) x 100.0					
65. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
66. Losses incurred (Line 2)	65.6	57.4	60.8	63.8	53.9
67. Loss expenses incurred (Line 3)	11.3	10.3	10.6	10.9	10.6
68. Other underwriting expenses incurred (Line 4)	34.0	33.3	32.6	32.2	34.1
69. Net underwriting gain (loss) (Line 8)	(11.0)	(1.1)	(3.9)	(6.9)	1.4
Other Percentages					
70. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	32.7	32.5	32.1	30.9	32.8
71. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	76.9	67.8	71.4	74.7	64.5
72. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0)	84.3	87.2	95.7	117.7	116.4
One Year Loss Development (000 omitted)					
73. Development in estimated losses and loss expenses incurred prior to current year (Schedule P - Part 2 - Summary, Line 12, Col. 11)	(16,663)	(21,636)	(5,437)	3,285	(1,966)
74. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 73 above divided by Page 4, Line 21, Col. 1 x 100.0)	(2.5)	(3.5)	(1.0)	0.6	(0.4)
Two Year Loss Development (000 omitted)					
75. Development in estimated losses and loss expenses incurred two years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	(32,878)	(15,682)	(5,124)	(681)	(15,848)
76. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 75 above divided by Page 4, Line 21, Col. 2 x 100.0)	(5.4)	(3.0)	(1.0)	(0.1)	(3.9)

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes No

If no, please explain:

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY
SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES
SCHEDULE P - PART 1 - SUMMARY

(\$000 OMITTED)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported Direct and Assumed	
	1 Direct and Assumed	2 Ceded	3 Net (1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid Cols (4 - 5 + 6 - 7 + 8 - 9)		
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded				
1. Prior	XXX	XXX	XXX	5,013	1,303	781	358	175	60	144	4,248	XXX	
2. 2002	484,850	43,863	440,987	285,380	17,816	16,648	2,468	36,302	403	14,697	317,643	XXX	
3. 2003	538,785	23,533	515,251	295,509	21,038	15,550	1,450	39,678	212	15,477	328,037	XXX	
4. 2004	575,591	33,420	542,171	308,984	26,716	15,256	1,603	42,044	158	15,645	337,807	XXX	
5. 2005	607,691	28,461	579,230	336,524	35,554	17,502	1,763	45,503	869	16,532	361,343	XXX	
6. 2006	663,204	50,153	613,051	328,098	21,129	16,503	1,514	60,219	1,070	17,283	381,107	XXX	
7. 2007	664,038	45,001	619,037	337,645	21,224	15,232	1,038	32,257	431	20,590	362,441	XXX	
8. 2008	668,324	58,727	609,597	381,911	23,194	13,154	789	48,482	776	18,436	418,788	XXX	
9. 2009	644,024	52,902	591,122	332,970	20,457	9,160	712	43,326	1,160	17,411	363,127	XXX	
10. 2010	631,414	53,893	577,521	301,285	18,401	5,236	370	42,642	1,441	17,362	328,951	XXX	
11. 2011	628,293	59,105	569,188	267,027	16,046	2,136	123	39,482	1,176	12,770	291,301	XXX	
12. Totals	XXX	XXX	XXX	3,180,346	222,878	127,157	12,189	430,111	7,755	166,347	3,494,792	XXX	

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed					
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR											
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded										
1. Prior	32,974	17,037	11,247	7,206	1,296	.774	2,667	1,083	266	16	299	22,334	XXX					
2. 2002	2,930	1,926	525	132	117	34	380	65	66	11	50	1,851	XXX					
3. 2003	2,139	1,002	930	454	173	19	530	45	.86	5	92	2,333	XXX					
4. 2004	5,359	3,370	1,447	791	357	.185	.656	.75	131	7	110	3,522	XXX					
5. 2005	4,597	1,593	2,058	870	409	.122	1,242	.56	250	6	189	5,909	XXX					
6. 2006	6,200	1,625	3,035	1,169	509	.64	1,944	114	301	16	286	9,000	XXX					
7. 2007	13,767	2,238	4,226	1,395	806	.119	3,306	.219	379	.36	.473	18,477	XXX					
8. 2008	19,304	2,236	6,608	1,863	1,191	.232	5,079	.238	1,279	.60	.756	28,832	XXX					
9. 2009	31,068	2,366	11,472	2,983	1,641	.291	8,134	.475	1,141	.119	1,432	47,222	XXX					
10. 2010	48,522	3,519	21,404	4,322	1,853	.379	12,296	.957	2,140	.226	2,458	76,812	XXX					
11. 2011	90,922	6,120	66,244	11,957	1,488	.385	16,421	1,510	6,815	.502	8,468	161,416	XXX					
12. Totals	257,782	43,032	129,195	33,142	9,840	2,603	52,655	4,837	12,853	1,004	14,613	377,707	XXX					

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred /Premiums Earned)				Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	35 Losses Unpaid	36 Loss Expenses Unpaid		
	Direct and Assumed	Ceded	Net	Direct and Assumed	Ceded	Net	Loss	Loss Expense	Losses Unpaid	Loss Expenses Unpaid		
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX			XXX	19,977	2,357	
2. 2002	342,349	22,855	319,494	70.6	52.1	72.4			4.0	1,398	453	
3. 2003	354,595	24,225	330,369	65.8	102.9	64.1			4.0	1,613	720	
4. 2004	374,234	32,905	341,329	65.0	98.5	63.0			4.0	2,645	877	
5. 2005	408,085	40,833	367,252	67.2	143.5	63.4			4.0	4,192	1,717	
6. 2006	416,808	26,701	390,107	62.8	53.2	63.6			4.0	6,441	2,559	
7. 2007	407,617	26,699	380,918	61.4	59.3	61.5			4.0	14,360	4,116	
8. 2008	477,009	29,388	447,620	71.4	50.0	73.4			4.0	21,813	7,020	
9. 2009	438,912	28,563	410,349	68.2	54.0	69.4			4.0	37,191	10,030	
10. 2010	435,379	29,616	405,763	69.0	55.0	70.3			4.0	62,085	14,728	
11. 2011	490,535	37,818	452,717	78.1	64.0	79.5			4.0	139,088	22,328	
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX			XXX	310,803	66,904	

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements which will reconcile Part 1 with Parts 2 and 4.

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY
SCHEDULE P - PART 2 - SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT	
	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009	9 2010	10 2011	11 One Year	12 Two Year
1. Prior	157,030	162,986	168,417	174,153	171,717	173,464	176,433	177,812	178,985	179,331	346	1,519
2. 2002	285,415	283,298	285,602	285,798	284,658	284,094	283,778	283,517	283,119	283,540	421	23
3. 2003	XXX	303,070	294,954	294,475	292,229	291,556	291,380	291,035	291,044	290,822	(222)	(213)
4. 2004	XXX	XXX	309,365	306,502	302,963	303,064	301,524	300,339	299,637	299,320	(317)	(1,019)
5. 2005	XXX	XXX	XXX	331,805	324,562	324,708	324,919	323,576	322,985	322,376	(610)	(1,201)
6. 2006	XXX	XXX	XXX	XXX	338,074	335,352	335,489	333,768	331,867	330,674	(1,193)	(3,095)
7. 2007	XXX	XXX	XXX	XXX	XXX	356,779	358,779	353,844	350,740	348,749	(1,991)	(5,095)
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	404,124	407,096	402,366	398,696	(3,671)	(8,401)
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	382,557	371,166	367,161	(4,005)	(15,396)
10. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	368,068	362,647	(5,421)	XXX
11. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	408,097	XXX	XXX
										12. Totals	(16,663)	(32,878)

SCHEDULE P - PART 3 - SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009	9 2010	10 2011		
1. Prior	000	62,234	97,886	119,034	130,110	139,493	143,391	149,596	153,093	157,226	XXX	XXX
2. 2002	166,581	222,289	247,786	262,882	271,753	276,338	278,754	280,349	281,133	281,744	XXX	XXX
3. 2003	XXX	171,621	230,935	254,063	270,025	279,062	283,769	286,093	287,663	288,570	XXX	XXX
4. 2004	XXX	XXX	172,587	236,183	261,265	278,125	287,006	292,019	294,607	295,921	XXX	XXX
5. 2005	XXX	XXX	XXX	181,063	249,100	279,208	297,668	308,511	314,303	316,709	XXX	XXX
6. 2006	XXX	XXX	XXX	XXX	185,444	258,003	287,542	305,711	316,424	321,958	XXX	XXX
7. 2007	XXX	XXX	XXX	XXX	XXX	196,962	271,807	300,409	319,461	330,614	XXX	XXX
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	235,375	319,832	350,381	371,082	XXX	XXX
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	215,141	289,795	320,961	XXX	XXX
10. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	213,896	287,749	XXX	XXX
11. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	252,995	XXX	XXX

SCHEDULE P - PART 4 - SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009	9 2010	10 2011		
1. Prior	60,538	34,360	23,420	17,339	13,745	11,489	10,655	9,403	9,274	5,625		
2. 2002	61,734	25,345	14,383	8,501	5,025	3,370	2,113	1,420	765	708		
3. 2003	XXX	70,375	27,130	15,249	8,729	5,106	3,403	2,189	1,451	961		
4. 2004	XXX	XXX	69,236	29,465	16,751	8,805	5,060	3,312	2,133	1,237		
5. 2005	XXX	XXX	XXX	75,176	33,127	18,537	10,464	6,466	3,977	2,374		
6. 2006	XXX	XXX	XXX	XXX	79,541	35,979	20,180	11,258	6,215	3,696		
7. 2007	XXX	XXX	XXX	XXX	XXX	80,138	36,652	20,999	11,291	5,918		
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	81,437	38,107	19,944	9,586		
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	82,127	32,408	16,148		
10. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	73,561	28,421		
11. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	69,197		

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY
SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

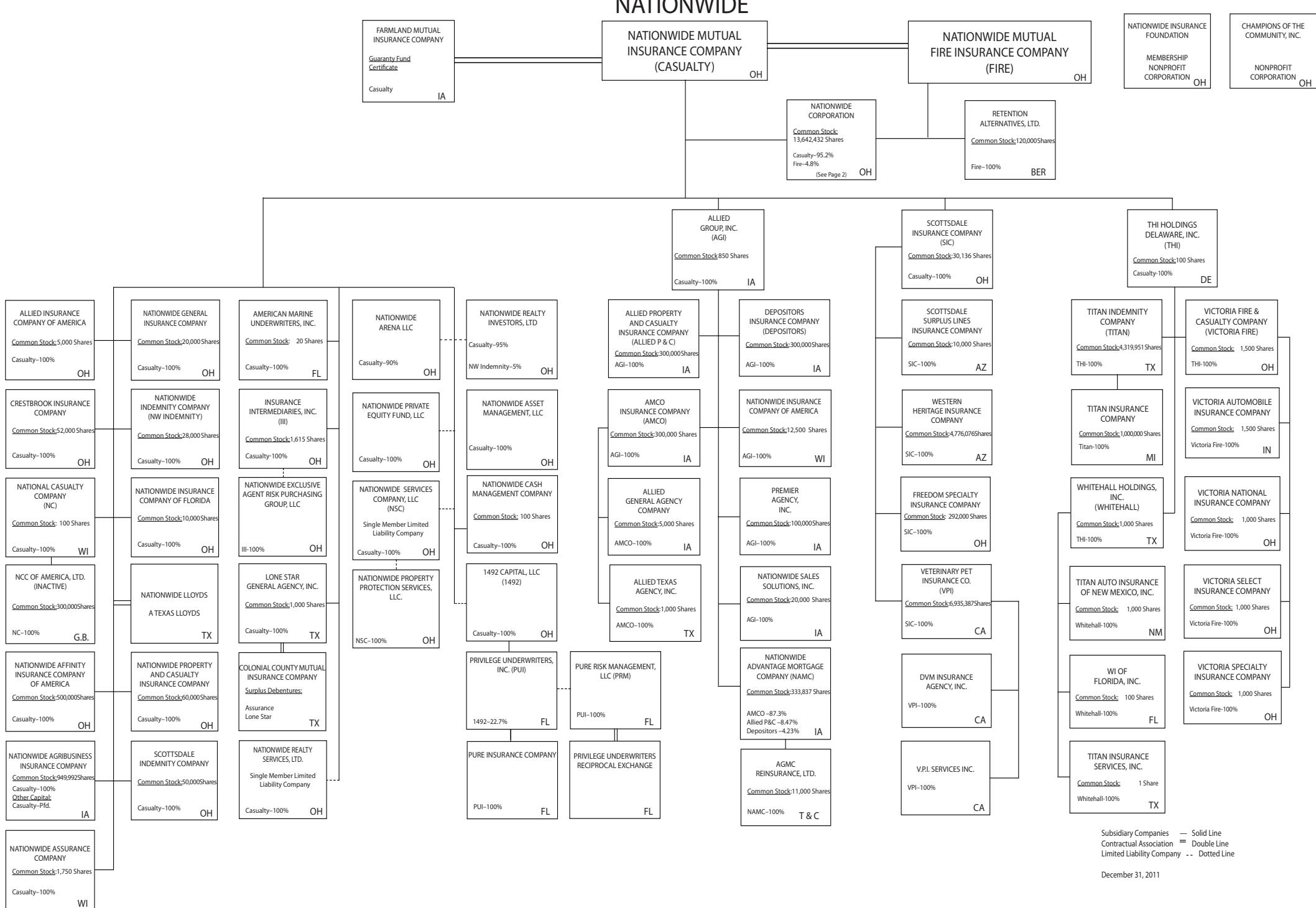
States, Etc.	1 Active Status	Gross Premiums, Including Policy and Membership Fees, Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premiums Written for Federal Purchasing Groups (Included in Column 2)	
		2 Direct Premiums Written	3 Direct Premiums Earned							
1. Alabama	AL	E	22,078,790	20,770,344		14,382,301	11,972,894	14,611,379		
2. Alaska	AK	E	2,708,140	3,010,687		275,092	181,537	2,531,522		
3. Arizona	AZ	L	9,829,697	10,373,179		13,785,590	9,086,161	4,471,862	55,983	
4. Arkansas	AR	E	6,686,967	6,270,949		3,515,565	3,575,773	5,111,464	94,545	
5. California	CA	E	188,061,363	179,723,173		65,759,892	70,951,143	192,185,702	153,896	
6. Colorado	CO	E	11,065,475	10,966,210		3,919,774	3,461,356	12,527,404		
7. Connecticut	CT	E	8,118,631	7,522,963		2,195,566	2,450,439	10,893,833	132,199	
8. Delaware	DE	L	1,129,639	1,242,959		334,295	324,530	1,083,379		
9. District of Columbia	DC	E	1,900,707	1,863,115		633,999	1,142,981	1,656,509		
10. Florida	FL	E	155,188,831	145,842,400		56,728,664	35,417,669	117,399,371	183,898	
11. Georgia	GA	E	30,309,474	28,259,289		12,680,170	14,185,375	24,327,824	2,943	
12. Hawaii	HI	E	11,193,674	11,195,662		3,165,159	(184,694)	9,728,224		
13. Idaho	ID	E	3,105,591	2,981,487		370,759	(96,321)	3,081,987	27,645	
14. Illinois	IL	E	26,119,783	24,944,128		22,435,932	14,223,994	48,813,320		
15. Indiana	IN	E	12,866,473	12,212,887		7,492,968	5,727,227	12,101,134	60	
16. Iowa	IA	E	6,736,331	6,779,251		1,927,889	1,754,408	5,283,234		
17. Kansas	KS	E	6,505,147	6,091,232		2,721,882	2,818,354	4,535,242	19,325	
18. Kentucky	KY	E	5,865,793	4,991,335		2,741,011	2,482,435	14,736,206		
19. Louisiana	LA	E	66,370,870	65,585,398		81,896,600	14,887,105	53,174,952		
20. Maine	ME	E	1,561,090	1,725,826		268,021	580,295	2,078,777	108,084	
21. Maryland	MD	E	12,217,617	12,394,310		7,837,366	7,609,090	20,059,789	283,083	
22. Massachusetts	MA	E	22,290,316	22,292,176		6,806,642	11,521,893	29,075,848	54,599	
23. Michigan	MI	E	9,138,841	9,103,864		2,812,529	2,715,552	9,557,455	15,218	
24. Minnesota	MN	E	6,566,040	6,151,009		3,775,024	7,371,504	13,512,176		
25. Mississippi	MS	E	14,463,697	14,184,903		4,875,842	3,967,860	7,062,198		
26. Missouri	MO	E	11,965,264	11,426,352		7,222,090	5,571,037	11,868,345		
27. Montana	MT	E	3,726,713	3,820,115		4,066,080	3,506,609	3,313,127	46,370	
28. Nebraska	NE	E	4,388,762	4,098,794		1,625,293	3,117,595	4,222,054		
29. Nevada	NV	E	7,211,782	7,140,350		10,443,491	7,904,628	10,235,569		
30. New Hampshire	NH	E	2,012,555	1,968,037		196,148	236,053	2,220,038	292,153	
31. New Jersey	NJ	E	49,303,889	48,611,125		25,627,035	17,478,807	58,357,734		
32. New Mexico	NM	E	5,443,312	4,983,851		2,866,368	1,052,556	5,420,615		
33. New York	NY	E	92,316,919	86,262,559		44,358,506	65,750,142	206,116,735	651,475	
34. North Carolina	NC	E	23,913,592	23,661,357		10,848,172	9,057,715	13,210,040		
35. North Dakota	ND	E	1,197,633	1,276,897		362,803	802,980	1,153,810	33,176	
36. Ohio	OH	L	7,318,747	6,595,366		5,907,433	3,899,509	4,804,547		
37. Oklahoma	OK	E	11,579,609	10,909,031		12,731,372	8,944,323	6,775,085	92,592	
38. Oregon	OR	E	9,215,136	9,247,513		6,804,567	2,778,825	11,347,113	60,717	
39. Pennsylvania	PA	E	20,418,373	19,712,421		11,858,517	10,663,775	33,403,450	9,343	
40. Rhode Island	RI	E	2,769,079	2,568,403		1,037,621	834,277	3,254,280	73,053	
41. South Carolina	SC	E	24,364,835	24,112,859		13,045,511	7,306,993	13,118,538	26,185	
42. South Dakota	SD	E	799,100	761,551		191,665	419,437	905,333		
43. Tennessee	TN	E	14,172,727	13,763,200		11,264,235	10,578,099	12,027,349		
44. Texas	TX	E	119,802,091	113,339,274		66,251,296	54,231,380	90,870,909	90	
45. Utah	UT	E	5,528,061	5,263,279		2,112,275	1,706,655	7,039,572	90,473	
46. Vermont	VT	E	1,338,380	1,351,590		32,899	323,271	1,281,292	229,202	
47. Virginia	VA	E	15,760,968	15,478,562		3,451,642	3,908,181	15,366,416	5,298	
48. Washington	WA	E	17,721,545	17,713,486		17,257,833	24,634,581	29,651,792		
49. West Virginia	WV	E	4,137,434	4,030,081		1,530,817	1,826,603	3,787,536		
50. Wisconsin	WI	E	4,948,997	4,665,629		1,634,013	4,107,599	10,631,175	52,087	
51. Wyoming	WY	E	1,839,059	1,785,648		710,795	439,547	1,442,415		
52. American Samoa	AS	N								
53. Guam	GU	N								
54. Puerto Rico	PR	E	66,002	89,900		12,398	191,724	217,598		
55. U.S. Virgin Islands	VI	N								
56. Northern Mariana Islands	MP	N								
57. Canada	CN	N								
58. Aggregate other alien ..	OT	XXX	178,189	81,347		37,161	37,161	37,161		
59. Totals	(a)	3	1,105,517,730	1,061,197,313		586,789,407	479,438,622	1,181,680,419	150	2,781,417
DETAILS OF WRITE-INS										
5801. England	XXX		178,189	81,347			37,161	37,161		
5802.	XXX									
5803.	XXX									
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX									
5899. Totals (Lines 5801 through 5803 plus 5898)(Line 58 above)	XXX		178,189	81,347			37,161	37,161		

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

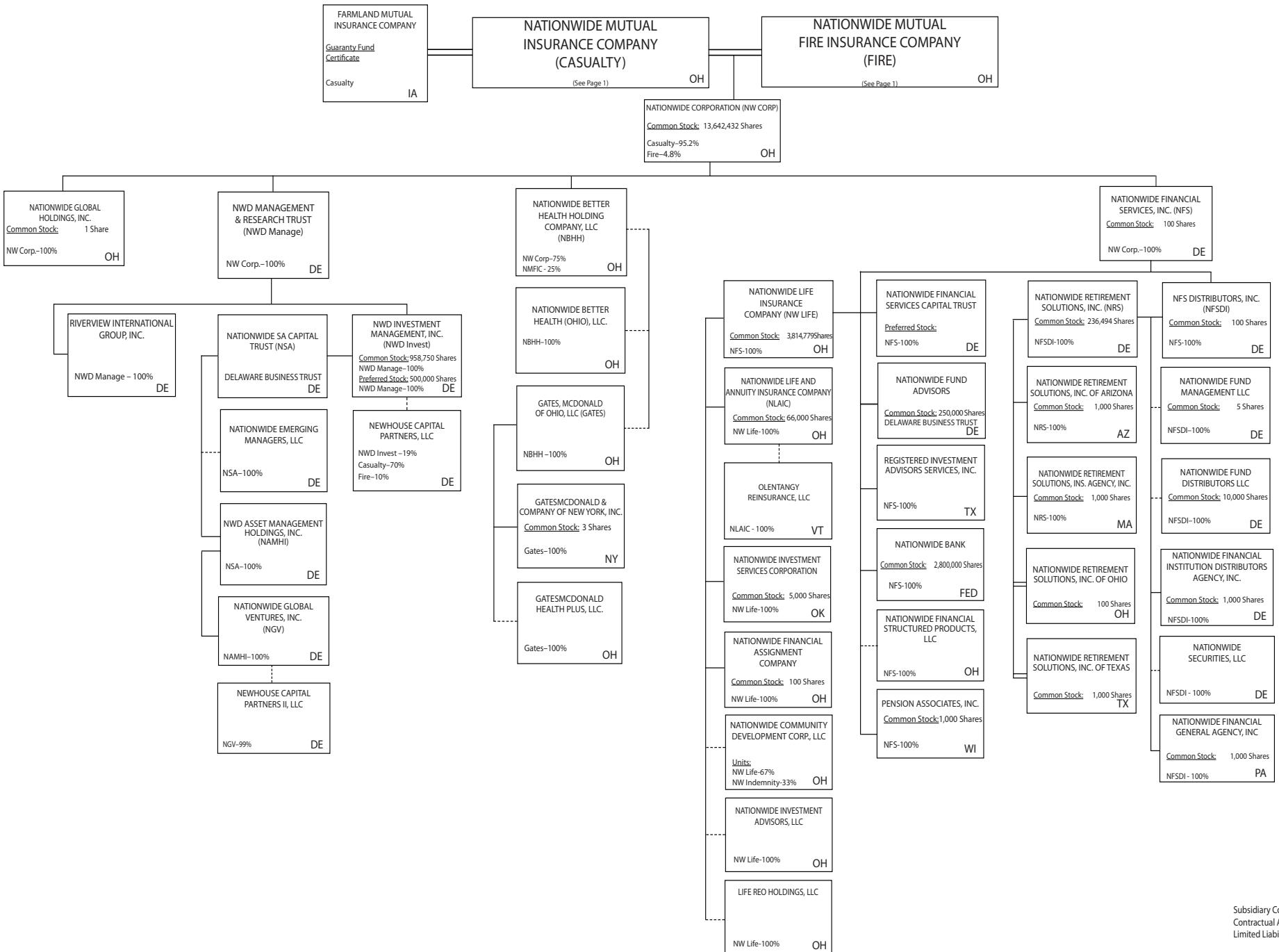
Explanation of basis of allocation of premiums by states, etc.

Premiums are allocated to those states where the insured risks are located: principle garage for automobile, physical address for homeowners, commercial multiple peril and other liability and main place of work for workers' compensation. Allocation of premiums for individual and group health insurance is based on the situs of the contract.

(a) Insert the number of L responses except for Canada and Other Alien.



NATIONWIDE®



Subsidiary Companies — Solid Line
Contractual Association = Double Line
Limited Liability Company -- Dotted Line

December 31, 2011

NATIONWIDE INSURANCE COMPANIES

NAIC Group Code	Group Name	NAIC Company Code	State of Domicile	Federal ID Number	Name of Company
0140	Nationwide	42579	IA	42-1201931	Allied Property and Casualty Insurance Company
0140	Nationwide	19100	IA	42-6054959	AMCO Insurance Company
0140	Nationwide	10127	OH	27-0114983	Allied Insurance Company of America
0140	Nationwide	22209	OH	75-6013587	Freedom Specialty Insurance Company
0140	Nationwide	29262	TX	74-1061659	Colonial County Mutual Insurance Company
0140	Nationwide	18961	OH	68-0066866	Crestbrook Insurance Company
0140	Nationwide	42587	IA	42-1207150	Depositors Insurance Company
0140	Nationwide	13838	IA	42-0618271	Farmland Mutual Insurance Company
0140	Nationwide	11991	WI	38-0865250	National Casualty Company
0140	Nationwide	26093	OH	48-0470690	Nationwide Affinity Insurance Company of America
0140	Nationwide	28223	IA	42-1015537	Nationwide Agribusiness Insurance Company
0140	Nationwide	10723	WI	95-0639970	Nationwide Assurance Company
0140	Nationwide	23760	OH	31-4425763	Nationwide General Insurance Company
0140	Nationwide	10070	OH	31-1399201	Nationwide Indemnity Company
0140	Nationwide	25453	WI	95-2130882	Nationwide Insurance Company of America
0140	Nationwide	10948	OH	31-1613686	Nationwide Insurance Company of Florida
0140	Nationwide	92657	OH	31-1000740	Nationwide Life and Annuity Insurance Company
0140	Nationwide	66869	OH	31-4156830	Nationwide Life Insurance Company
0140	Nationwide	42110	TX	75-1780981	Nationwide Lloyds
0140	Nationwide	23779	OH	31-4177110	Nationwide Mutual Fire Insurance Company
0140	Nationwide	23787	OH	31-4177100	Nationwide Mutual Insurance Company
0140	Nationwide	37877	OH	31-0970750	Nationwide Property & Casualty Insurance Company
0140	Nationwide	15580	OH	31-1117969	Scottsdale Indemnity Company
0140	Nationwide	41297	OH	31-1024978	Scottsdale Insurance Company
0140	Nationwide	10672	AZ	86-0835870	Scottsdale Surplus Lines Insurance Company
0140	Nationwide	13242	TX	74-2286759	Titan Indemnity Company
0140	Nationwide	36269	MI	86-0619597	Titan Insurance Company
0140	Nationwide	42285	CA	95-3750113	Veterinary Pet Insurance Company
0140	Nationwide	10644	IN	34-1785903	Victoria Automobile Insurance Company
0140	Nationwide	42889	OH	34-1394913	Victoria Fire & Casualty Company
0140	Nationwide	10778	OH	34-1842604	Victoria National Insurance Company
0140	Nationwide	10105	OH	34-1777972	Victoria Select Insurance Company
0140	Nationwide	10777	OH	34-1842602	Victoria Specialty Insurance Company
0140	Nationwide	37150	AZ	86-0561941	Western Heritage Insurance Company
0140	Nationwide	13999	VT	27-1712056	Olentangy Reinsurance, LLC
4664	PURE	13204	FL	26-3109178	PURE Insurance Company
4664	PURE	12873	FL	20-8287105	Privilege Underwriters Reciprocal Exchange

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE SCOTTSDALE INSURANCE COMPANY
OVERFLOW PAGE FOR WRITE-INS

Additional Write-ins for Liabilities Line 25

	1 Current Year	2 Prior Year
2504. Miscellaneous liabilities	152,911	487,903
2505. Funds held equity pools & associations	717	42,881
2506. Pooling expense payable	791,957	
2597. Summary of remaining write-ins for Line 25 from overflow page	945,585	530,784

Additional Write-ins for Underwriting and Investment Exhibit Part 3 Line 24

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
2404. LAD buyout expense		168,734		168,734
2497. Summary of remaining write-ins for Line 24 from overflow page		168,734		168,734

Additional Write-ins for Schedule E - Part 3 Line 58

States, Etc.	1 Type of Deposit	2 Purpose of Deposit	Deposits For the Benefit of All Policyholders		All Other Special Deposits	
			3 Book/Adjusted Carrying Value	4 Fair Value	5 Book/Adjusted Carrying Value	6 Fair Value
5804. Canada/Govt/Bd CDNS	B.....	Reinsurance			1,458,248	1,602,425
5805. Canada/Govt/Bd CDNS	B.....	Reinsurance			250,370	280,099
5806. Hydro-Quebec MT Nt Govt Gtd CDN	B.....	Reinsurance			239,551	275,051
5897. Summary of remaining write-ins for Line 58 from overflow page	XXX	XXX			1,948,169	2,157,575

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