The Notes and electronic notes will need to be refiled as there was an error in the tax footnote.

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PROPERTY AND CASUALTY COMPANIES - ASSOCIATION EDITION

ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2012
OF THE CONDITION AND AFFAIRS OF THE

Nationwide Insurance Company of Florida

NAIC Group Code 0140 (Current) 0140 (Prior) NAIC Company Code 10948 Employer's ID Number 31-1613686

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

Country of Domicile United States of America

Incorporated/Organized 08/18/1998 Commenced Business 08/18/1998

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

Main Administrative Office 1100 Locust Street (Street and Number)

Des Moines , IA, US 50391-1100 (City or Town, State, Country and Zip Code), 614-249-7111 (Area Code) (Telephone Number)

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

Primary Location of Books and Records One West Nationwide Blvd., 1-04-701 (Street and Number)

Columbus , OH, US 43215-2220 (City or Town, State, Country and Zip Code), 614-249-1545 (Area Code) (Telephone Number)

Internet Website Address www.nationwide.com

Statutory Statement Contact Monda S. Caudill (Name), 614-249-1545 (Area Code) (Telephone Number)

FinRpt@nationwide.com (E-mail Address), 866-315-1430 (FAX Number)

OFFICERS

President	Thomas Edward Clark #	VP & Treasurer	Wendell Paul Crosser
VP & Secretary	Robert William Horner III		

OTHER

Pamela Ann Biesecker Sr VP-Head of Taxation

DIRECTORS OR TRUSTEES

David Gerard Arango	Wesley Kim Austen	Mark Allen Berven
Martha Lovette Frye	Jeff Millard Rommel	

State of Ohio
County of Franklin SS:

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

Thomas Edward Clark	Robert William Horner, III	Wendell Paul Crosser
President	VP & Secretary	VP & Treasurer

Subscribed and sworn to before me this ______ day of January , 2013

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

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Accounting Practices

The accompanying statutory financial statements of Nationwide Insurance Company of Florida (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. The Company has no statutory accounting practices that differ from NAIC SAP.

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

The preparation of statutory 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. subsidiaries and affiliates and eligible Harleysville Companies as of the Merger Date. In this regard, the included subsidiaries and affiliates 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 items and the realization of certain tax credits. In the event the ultimate deductibility of certain items 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 income taxes. Under this method, deferred tax assets (DTA), net of any non-admitted portion and statutory valuation allowance, 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, excluding the impact of taxes on unrealized capital gains or losses and nonadmitted deferred taxes, is charged directly to surplus.

*Reinsurance Recoverables***.** The Company cedes insurance to other companies in order to limit potential losses and diversify its exposure. Such agreements do not relieve the Company of its primary obligation to the policyholder in the event the reinsurer is unable to meet the obligations it has assumed. The Company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance agreements regularly in an attempt to minimize its exposure to significant losses from reinsurer insolvencies. 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 losses are estimated in a manner consistent with the claim liability associated with the underlying policy. Such reinsurance recoverables and reserved deductions partially offset claim costs in the Company's statutory statements of operations and are included as an offset to losses and loss expense reserves in the accompanying statutory statements of admitted assets, liabilities and surplus. There were no contracts using deposit accounting as of December 31, 2012 and 2011.

Statutory accounting principles require recognition of a minimum liability for certain unsecured or overdue reinsurance recoverables. These conditional reserves were $88,000 and $108,000 as of December 31, 2012 and 2011, respectively.

In addition, the Company uses the following accounting policies:

1. Short-term investments consist of investments with maturities of twelve months or less at acquisition and are stated at amortized cost, which approximates fair value.

2. Bonds, excluding loan-backed and structured securities, are stated at amortized cost except those with a NAIC designation of "3" through "6" which are stated at the lower of amortized cost or fair value. Amortization of premiums and discounts is calculated using the effective yield method.

3. Unaffiliated common stocks are stated at fair value.

4. Redeemable preferred stocks are stated at amortized cost except those with an NAIC designation of "3" through "6" which are stated at the lower of amortized cost or fair value. Perpetual preferred stocks are stated at fair value except those with an NAIC designation of "3" through "6" which are stated at the lower of amortized cost or fair value.

5. Mortgage loans are carried at the unpaid principal balance adjusted for premiums, discounts, less a valuation allowance. The valuation allowance for mortgage loans reflects management's best estimate of probable credit losses.

6. Loan-backed and structured securities (collectively, loan-backed securities) are stated at amortized cost or the lower of amortized cost or fair value in accordance with the provisions of Statement of Statutory Accounting Principles No. 43-Revised and the Purposes and Procedures Manual of the NAIC Securities Valuation Office. The retrospective adjustment method is used to value loan-backed securities where the collection of all contractual cash flows is probable. For all other loan-backed securities, the Company uses the prospective adjustment method.

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

   Not applicable.

NOTES TO FINANCIAL STATEMENTS

8. Other invested assets consist primarily of investments in partnerships, limited liability companies and joint ventures. Underlying investments primarily include hedge funds, private equity funds and low income housing tax credits. Except for investments in low income housing tax credit partnerships, interests are reported using the equity method of accounting. Changes in carrying value as a result of the equity method are reflected as net unrealized capital gains and losses as a direct adjustment to surplus. Realized gains and losses are generally recognized through income at the time of disposal or when operating distributions are received. Partnership interests in low income housing tax credits are carried at amortized cost with amortization charged to investment income over the period in which the tax benefits, primarily credits, are utilized.

9. Accounting for derivatives

   Not applicable.

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, 2012 and 2011, 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 (IBNR). 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. Not applicable as the Company does not write major medical insurance with prescription drug coverage.

Note 2 - Accounting Changes and Corrections of Errors

A. Accounting Changes and Corrections of Errors

Adopted 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, establishes a new framework for determining the admissibility of DTAs and adopts new disclosure requirements. The difference between the recalculated amounts as of January 1, 2012, and the amount actually reported in the prior year financial statements is treated as a change in accounting principle in accordance with SSAP No. 3, Accounting Changes and Corrections of Errors. The cumulative effect of this change in accounting principle resulted in a $603,128 increase in unassigned funds as of January 1, 2012.

On December 31, 2011, the Company adopted revisions to SSAP No. 5R, *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.

Pending Accounting Standards

On January 1, 2013, the Company adopted SSAP No. 103, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. The standard establishes accounting for transfers and servicing of financial assets, including asset securitizations and securitizations of policy acquisition costs, extinguishments of liabilities, repurchase agreements, repurchase financing and reverse repurchase agreements, including dollar repurchase and dollar reverse repurchase agreements. The guidance provides criteria to determine whether a transferor has surrendered control over transferred financial assets. It also forbids offsetting for repurchase and reverse repurchase transactions in accordance with master netting agreements. The Company is currently in the process of determining the impact of adoption of this standard.

On December 31, 2013, the Company will adopt revisions to SSAP No. 34, Investment Income Due and Accrued and SSAP No. 37, Mortgage Loans. The revisions enhance required disclosures related to mortgage loans to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of its allowance for credit losses. The adoption will result in increased disclosures only and will have no impact on the Company's financial statements.

On December 31, 2013, the Company will adopt revisions to SSAP No. 35R, Guaranty Fund and Other Assessments. The revisions require disclosure of the nature of fees paid to the federal government by health insurers under the Affordable Care Act and an estimate of their financial impact, including the impact on the Company's risk based capital position. The adoption will result in increased disclosures only and will have no impact on the Company's financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 3 - Business Combinations and Goodwill

Not applicable.

Note 4 - Discontinued Operations

Not applicable.

Note 5 - Investments

A. Mortgage Loans

Not applicable.

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.

2. Not applicable.

3. Not applicable.

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	$	-
2.	12 Months or Longer	$	(299,714)

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

1.	Less than 12 Months	$	-
2.	12 Months or Longer	$	2,342,459

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

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

E. Repurchase Agreements and Securities Lending Transactions

1. 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.

The Company does not participate in a securities lending program.

2.-5. Not applicable as the Company has no open repurchase agreements of securities lending transactions as of year-end.

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.

NOTES TO FINANCIAL STATEMENTS

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, 2012 was $0.

Note 8 - Derivative Instruments

Not applicable.

Note 9 - Income Taxes

A. The components of the deferred tax asset/(liability) at December 31 are as follows:

	12/31/2012		
	Ordinary	Capital	Total
(1a) Gross deferred tax assets	$ 4,176,428	$ 1,878,166	$ 6,054,594
(1b) Statutory valuation allowance adjustment	$ -	$ -	$ -
(1c) Adjusted gross deferred tax assets	$ 4,176,428	$ 1,878,166	$ 6,054,594
(1d) Deferred tax assets nonadmitted	$ 3,485,875	$ -	$ 3,485,875
(1e) Subtotal net admitted deferred tax asset	$ 690,553	$ 1,878,166	$ 2,568,719
(1f) Deferred tax liabilities	$ -	$ 1,836,235	$ 1,836,235
(1g) Net admitted deferred tax asset/(net deferred tax liability)	$ 690,553	$ 41,931	$ 732,484

	12/31/2011		
	Ordinary	Capital	Total
(1a) Gross deferred tax assets	$ 4,232,369	$ 1,565,634	$ 5,798,003
(1b) Statutory valuation allowance adjustment	$ -	$ -	$ -
(1c) Adjusted gross deferred tax assets	$ 4,232,369	$ 1,565,634	$ 5,798,003
(1d) Deferred tax assets nonadmitted	$ 1,523,026	$ 438,595	$ 1,961,621
(1e) Subtotal net admitted deferred tax asset	$ 2,709,343	$ 1,127,039	$ 3,836,382
(1f) Deferred tax liabilities	$ 126,132	$ 956,387	$ 1,082,519
(1g) Net admitted deferred tax asset/(net deferred tax liability)	$ 2,583,211	$ 170,652	$ 2,753,863

	Change		
	Ordinary	Capital	Total
(1a) Gross deferred tax assets	$ (55,941)	$ 312,532	$ 256,591
(1b) Statutory valuation allowance adjustment	$ -	$ -	$ -
(1c) Adjusted gross deferred tax assets	$ (55,941)	$ 312,532	$ 256,591
(1d) Deferred tax assets nonadmitted	1,962,849	(438,595)	1,524,254
(1e) Subtotal net admitted deferred tax asset	$ (2,018,790)	$ 751,127	$ (1,267,663)
(1f) Deferred tax liabilities	$ (126,132)	$ 879,848	$ 753,716
(1g) Net admitted deferred tax asset/(net deferred tax liability)	$ (1,892,658)	$ (128,721)	$ (2,021,379)

Admission Calculation Components SSAP No. 101

	12/31/2012		
	Ordinary	Capital	Total
(2a) Federal income taxes paid in prior years recoverable through loss carrybacks	$ -	$ -	$ -
(2b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from (2a) above) after application of the threshold limitation (the less of (2b)1 and (2b)2 below)	$ -	$ 732,484	$ 732,484
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	$ -	$ 732,484	$ 732,484
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	$ 38,717,619
(2c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities	$ 690,553	$ 1,145,682	$ 1,836,235
(2d) Deferred tax assets admitted as the result of application of SSAP No. 101 Total ((2a) + (2b) + (2c))	$ 690,553	$ 1,878,166	$ 2,568,719

	12/31/2011		
	Ordinary	Capital	Total
(2a) Federal income taxes paid in prior years recoverable through loss carrybacks	$ -	$ -	$ -
(2b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from (2a) above) after application of the threshold limitation (the less of (2b)1 and (2b)2 below)	$ 2,583,211	$ 170,652	$ 2,753,863
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	$ 2,583,211	$ 170,652	$ 2,753,863
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	$ 27,197,933
(2c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities	$ 126,132	$ 956,387	$ 1,082,519
(2d) Deferred tax assets admitted as the result of application of SSAP No. 101 Total ((2a) + (2b) + (2c))	$ 2,709,343	$ 1,127,039	$ 3,836,382

NOTES TO FINANCIAL STATEMENTS

	Change		
	Ordinary	Capital	Total
(2a) Federal income taxes paid in prior years recoverable through loss carrybacks	$ -	$ -	$ -
(2b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from (2a) above) after application of the threshold limitation (the less of (2b)1 and (2b)2 below)	$ (2,583,211)	$ 561,832	$ (2,021,379)
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	$ (2,583,211)	$ 561,832	$ (2,021,379)
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	$ 166,848
(2c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities	$ 564,421	$ 189,295	$ 753,716
(2d) Deferred tax assets admitted as the result of application of SSAP No. 101 Total ((2a) + (2b) + (2c))	$ (2,018,790)	$ 751,127	$ (1,267,663)

	12/31/2012	12/31/2011
(3a) Ratio percentage used to determine recovery period and threshold limitation amount	2863.208%	3020.0%
(3b) Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in (2b)2 above	$ 257,005,138	$ 271,979,332

Impact of Tax Planning Strategies

	12/31/2012		
	Ordinary	Capital	Total
(4a) Adjusted Gross DTAs (% of total adjusted gross DTAs)	0.00%	0.00%	0.00%
(4b) Net admitted adjusted gross DTAs (% of the total net admitted adjusted gross DTAs)	0.00%	100.00%	0.00%

	12/31/2011		
	Ordinary	Capital	Total
(4a) Adjusted Gross DTAs (% of total adjusted gross DTAs)	0.00%	0.00%	0.00%
(4b) Net admitted adjusted gross DTAs (% of the total net admitted adjusted gross DTAs)	0.00%	6.20%	6.20%

	Change		
	Ordinary	Capital	Total
(4a) Adjusted Gross DTAs (% of total adjusted gross DTAs)	0.00%	0.00%	0.00%
(4b) Net admitted adjusted gross DTAs (% of the total net admitted adjusted gross DTAs)	0.00%	93.80%	-6.20%

(4c) Does this Company's tax-planning strategies include the use of reinsurance? Yes [ ] No [X]

B. There are no temporary differences for which deferred tax liabilities are not recognized.

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

	12/31/2012	12/31/2011	Change
1. Current Income Tax			
(a) Federal	$ (275,112)	$ (1,243,338)	$ 968,226
(b) Foreign	$ -	$ -	$ -
(c) Subtotal	$ (275,112)	$ (1,243,338)	$ 968,226
(d) Federal income tax on net capital gains	$ 728,601	$ 1,310,576	$ (581,975)
(e) Utilization of capital loss carry-forwards	$ (16,989)	$ -	$ (16,989)
(f) Other	$ -	$ -	$ -
(g) Federal and foreign income taxes incurred	$ 436,500	$ 67,238	$ 369,262

2. Deferred Tax Assets	12/31/2012	12/31/2011	Change
(a) Ordinary:			
(1) Discounting of unpaid losses	$ 1,021,761	$ 1,613,719	$ (591,958)
(2) Unearned premium reserve	$ 1,838,805	$ 1,911,701	$ (72,896)
(3) Policyholder reserves	$ -	$ -	$ -
(4) Investments	$ -	$ -	$ -
(5) Deferred acquisition costs	$ -	$ -	$ -
(6) Policyholder dividends accrual	$ -	$ -	$ -
(7) Fixed Assets	$ -	$ -	$ -
(8) Compensation benefits accrual	$ -	$ -	$ -
(9) Pension accrual	$ 77,979	$ 32,063	$ 45,916
(10) Receivables - nonadmitted	$ -	$ -	$ -
(11) Net operating loss carry-forward	$ 1,231,717	$ 666,361	$ 565,356
(12) Tax credit carry-forward	$ -	$ -	$ -
(13) Other (including items <5% of total ordinary tax assets)	$ 6,166	$ 8,525	$ (2,359)
(99) Subtotal	$ 4,176,428	$ 4,232,369	$ (55,941)

NOTES TO FINANCIAL STATEMENTS

(b) Statutory valuation allowance adjustment	$	-	$	-	$	-
(c) Nonadmitted	$	3,485,875	$	1,523,026	$	1,962,849
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	$	690,553	$	2,709,343	$	(2,018,790)
(e) Capital:						
(1) Investments	$	1,878,166	$	1,548,645	$	329,521
(2) Net capital loss carry-forward	$	-	$	16,989	$	(16,989)
(3) Real estate	$	-	$	-	$	-
(4) Other (including items <5% of total capital tax assets)	$	-	$	-	$	-
(99) Subtotal	$	1,878,166	$	1,565,634	$	312,532
(f) Statutory valuation allowance adjustment	$	-	$	-	$	-
(g) Nonadmitted	$	-	$	438,595	$	(438,595)
(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)	$	1,878,166	$	1,127,039	$	751,127
(i) Admitted deferred tax assets (2d + 2h)	$	2,568,719	$	3,836,382	$	(1,267,663)

3. Deferred Tax Liabilities

(a) Ordinary:		12/31/2012		12/31/2011		Change
(1) Investments	$	-	$	-	$	-
(2) Fixed assets	$	-	$	-	$	-
(3) Deferred and uncollected premium	$	-	$	-	$	-
(4) Policyholder reserves	$	-	$	-	$	-
(5) Other (including items <5% of total ordinary tax liabilities)	$	-	$	-	$	-
(6) Unearned surcharge income	$	-	$	126,132	$	(126,132)
(99) Subtotal	$	-	$	126,132	$	(126,132)
(b) Capital:						
(1) Investments	$	1,836,235	$	956,387	$	879,848
(2) Real estate	$	-	$	-	$	-
(3) Other (including items <5% of total capital tax liabilities)	$	-	$	-	$	-
(99) Subtotal	$	1,836,235	$	956,387	$	879,848
(c) Deferred tax liabilities (3a99 + 3b99)	$	1,836,235	$	1,082,519	$	753,716
4. Net deferred tax asset/(liability) (2i - 3c)	$	732,484	$	2,753,863	$	(2,021,379)

5. The change in deferred income taxes is comprised of the following (this analysis is exclusive of nonadmitted assets as the Change in Nonadmitted Assets are reported separately from the Change in Net Deferred Income Taxes in the surplus section of the Annual Statement):

		12/31/2012		12/31/2011		Change
(a) Adjusted gross deferred tax assets	$	6,054,594	$	5,798,003	$	256,591
(b) Deferred tax liabilities		1,836,235		1,082,519		753,716
(c) Net deferred tax assets (liabilities)	$	4,218,359	$	4,715,484	$	(497,125)
(d) Tax effect of unrealized gains (losses)						(1,016,540)
(e) Change in deferred income tax					$	519,415

D. The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory Federal income tax rate to pre-tax income. The significant book to tax adjustments causing this difference are as follows:

		12/31/2012		**12/31/2011**
(a) Current income taxes incurred	$	436,500	$	67,238
(b) Change in deferred income tax	$	(519,415)	$	(476,814)
(c) Total income tax reported	$	(82,915)	$	(409,576)
(d) Income before taxes	$	5,731,622	$	5,146,256
(e) Federal statutory tax rate		35%		35%
(f) Expected income tax expense (benefit) at 35% statutory rate	$	2,006,068	$	1,801,190
(1) Tax-exempt income	$	(2,092,798)	$	(2,213,220)
(2) Dividends received deduction	$	-	$	-
(3) Nondeductible expenses	$	5,202	$	7,499
(4) Deferred tax benefit on nonadmitted assets	$	36	$	(5,045)
(5) Change in tax reserves	$	-	$	-
(6) Tax credits	$	-	$	-
(7) Other	$	(1,423)	$	-
(g) Total	$	(82,915)	$	(409,576)

NOTES TO FINANCIAL STATEMENTS

E. Operating Loss and Tax Credit Carryforwards and Protective Tax Deposits

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

	Amount	Origination	Expiration
Operating loss carryforwards	$ 2,176,611	2011	2031
Operating loss carryforwards	$ 1,342,581	2012	2032
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:

2012	$ -
2011	$ -

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

F. Consolidated Federal Income Tax Return

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

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

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

G. Federal or Foreign Federal Income Tax Loss Contingencies

The Company does not have any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

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.

NOTES TO FINANCIAL STATEMENTS

The Company and various affiliates have entered into agreements with Nationwide Cash Management Company (NCMC) a subsidiary of Mutual, under which NCMC acts as a common agent in handling the purchases and sales of short-term investments for the respective accounts of the participants. Amounts on deposit with NCMC were $7.7 million and $15.7 million as of December 31, 2012 and 2011, respectively.

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

Not applicable.

C. Change in Terms of Intercompany Arrangements

There were no changes to the intercompany arrangements in 2012 or 2011.

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 $5.5 million and $9.4 million due from parent at December 31, 2012 and 2011, respectively. The Company reported gross amounts of $6.9 million and $10.3 million due from parent and affiliates and $32 thousand and $44.1 thousand due to parent and affiliates at December 31, 2012 and 2011, 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 and various affiliates share a home office, other facilities, equipment, common management and administrative services. 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 SAP. 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.

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

Not applicable.

B. Defined Contribution Plans

Not applicable.

C. Multiemployer Plans

Not applicable.

D. Consolidated/Holding Company Plans

Not applicable.

NOTES TO FINANCIAL STATEMENTS

E. Postemployment Benefits and Compensated Absences

Not applicable.

F. Impact of Medicare Modernization Act on Postretirement Benefits

Not applicable.

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

A. Outstanding Shares

The Company has 20,000 shares of $120 par value stock authorized and 10,000 shares issued and outstanding.

B. Dividend Rate of Preferred Stock

Not applicable.

C. Dividend Restrictions

The maximum amount of dividends which can be paid to shareholders by a State of Ohio domiciled insurance company without prior approval of the Director of Insurance is limited to, together with that of other dividends or distributions made within the preceding twelve months, the greater of either 10% of surplus as regards policyholders as of the preceding December 31, or the net income for the twelve month period ending December 31 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

On April 27, 2012, the Company paid an extraordinary dividend of $25 million to its parent, Mutual.

No dividends were paid by the Company during 2011.

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 $5.2 million less applicable deferred taxes of $1.8 million for a net unrealized capital gain of $3.4 million.

K. Surplus Notes

Not applicable.

L. and M. Quasi Reorganizations

Not applicable.

Note 14 – Contingencies

A. Contingent Commitments

The Company has no commitments or contingent commitment to affiliates or other entities. As indicated in Note 10 E, the Company has made no guarantees on behalf of affiliates.

B. Guaranty Fund and Other Assessments

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

C. Gain Contingencies

Not applicable.

NOTES TO FINANCIAL STATEMENTS

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

The Company paid the following amounts in the reporting period to settle claims related extra contractual obligations or bad faith claims stemming from lawsuits.

Claims related ECO and bad faith losses paid during the reporting period: $347 thousand

Number of claims where amounts were paid to settle claims related extra contractual obligations or bad faith claims resulting from lawsuits during the reporting period.

(a) 0 - 25 claims	(b) 26 - 50 claims	(c) 51 - 100 claims	(d) 101- 500 claims	(e) More than 500 claims
X				

(f) Per Claim [X] Per Claimant [ ]

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 $418 thousand and $177 thousand at December 31, 2012 and 2011, 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.

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

A. Transfers of Receivables Reported as Sales

Not applicable.

B. Transfers and Servicing of Financial Assets

1. There were no assets or liabilities obtained in transfers of financials assets where it was not practicable to estimate their fair value.
2. The Company does not participate in 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.

NOTES TO FINANCIAL STATEMENTS

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 financial assets and liabilities 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 Company categorizes financial assets and liabilities as follows:

Level 1. Unadjusted quoted prices accessible in active markets for identical assets or liabilities at the measurement date and mutual funds where the value per share (unit) is determined and published daily and is the basis for current transactions.

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. Primary inputs to this valuation technique may include comparative trades, bid/asks, interest rate movements, U.S. Treasury rates, U.S. LIBOR, prime rates, cash flows, maturity dates, call ability, estimated prepayments and/or underlying collateral values.

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. Primary inputs to this valuation technique include broker quotes and comparative trades.

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

To determine the fair value of bonds and stocks for which market quotations are available, independent pricing services are most often utilized. For these bonds and stocks, the Company obtains the pricing services' methodologies, inputs and assumptions and classifies the investments accordingly in the fair value hierarchy.

A corporate pricing matrix or an internally developed pricing model is used in valuing certain bonds. The corporate pricing matrix is developed using private spreads for bonds with varying weighted average lives and credit quality ratings. The weighted average life and credit quality rating of a particular 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 bond. The estimated market yield and other relevant factors are then used to estimate the fair value of the particular bond.

Non-binding broker quotes are also utilized to determine the fair value of certain bonds when quotes are not available from independent pricing services, corporate pricing matrix or internal pricing models. These bonds are classified accordingly in the fair value hierarchy 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. Inputs used in the development of prices are not provided to the Company by the brokers as the brokers often do not provide the necessary transparency into their quotes and methodologies. Broker quotes are subject to validation of price movements that require approval from the Company's management. Management uses its knowledge of the investment and current market conditions to determine if the price is indicative of the investment's fair value.

Fair value of derivative instruments is determined using various valuation techniques relying predominately on observable market inputs. These inputs include interest rate swap curves, credit spreads, interest rates, counterparty credit risk, equity volatility and equity index levels. In cases where observable inputs are not available, the Company will utilize non-binding broker quotes to determine fair value and these instruments are classified accordingly in the fair value hierarchy.

The following table summarizes financial assets and liabilities measured at fair value as of December 31, 2012:

	Level 1	Level 2	Level 3	Total
Assets at Fair Value				
U.S. Government bonds	-	-	-	-
States, Territories and Possessions	-	-	-	-
Political subdivisions	-	-	-	-
Special revenues	-	-	-	-
Hybrid Securities	-	-	-	-
Credit tenant loans	-	-	-	-
Industrial & Misc.	-	98,333	-	98,333
Total Bonds	**$ -**	**$ 98,333**	**$ -**	**$ 98,333**
Sec Lending	-	-	-	-
Preferred Stocks	-	-	-	-
Common Stocks	-	-	-	-
Loans held for sale	-	-	-	-
Separate Account Assets	-	-	-	-
Derivative Assets	-	-	-	-
Total Assets at Fair Value	**$ -**	**$ 98,333**	**$ -**	**$ 98,333**
Liabilities at Fair Value				
Derivatives Liabilities	-	-	-	-
Total Liabilities at Fair Value	**$ -**	**$ -**	**$ -**	**$ -**

NOTES TO FINANCIAL STATEMENTS

The following table summarizes aggregate carrying value and fair value, by level, for all financial assets and liabilities, excluding assets and liabilities reported at fair value, as of December 31, 2012:

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Assets						
Bonds	$ 351,466,666	$ 303,959,745	$ 146,795,027	$ 204,671,639		
Stocks						
Mortgage loans						
Short-term investments	7,718,678	7,718,678		7,718,678		
Derivative assets						
Policy loans						
Securities lending collateral assets						
Total Assets	$ 359,185,344	$ 311,678,422	$ 146,795,027	$ 212,390,317		
Liabilities						
Derivative liabilities						
Total Liabilities						

Note 21 - Other Items

A. Extraordinary Items

Not applicable.

B. Troubled Debt Restructuring for Debtors

Not applicable.

C. Other Disclosures

Effective June 1, 2012, Nationwide Mutual Insurance Company renewed its agreement with the Company for its Property Catastrophe Program as follows: first layer 10% of $36.4 million excess of $14.2 million; second layer 100% of $71.5 million excess of $50.6 million.

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

1. The Company evaluates many characteristics when classifying collateral as subprime, 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.

2. The Company has no direct exposure through investments in subprime mortgage loans.

3. Direct exposure through other investments:

	Actual Cost	Book/Adjusted Carrying Value (excluding interest)	Fair Value	Other Than Temporary Impairment Losses Recognized
a. Residential mortgage backed securities	728,079	565,132	561,596	-
b. Commercial mortgage backed securities				
c. Collateralized debt obligations				
d. Structured securities				
e. Equity investments in SCAs*				
f. Other Assets				
g. Total	$ 728,079	$ 565,132	$ 561,596	$ -

4. The Company has no exposure to subprime mortgage risk through Mortgage Guaranty or Financial Guaranty insurance coverage.

Note 22 - Events Subsequent

Type I – Recognized Subsequent Events:

Subsequent events have been considered through February 8, 2013 for the statutory statement issued on February 12, 2013.

Type II – Nonrecognized Subsequent Events:

Subsequent events have been considered through February 8, 2013 for the statutory statement issued on February 12, 2013.

NOTES TO FINANCIAL STATEMENTS

Note 23 – Reinsurance

A. Unsecured Reinsurance Recoverables

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

B. Reinsurance Recoverable in Dispute

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

C. Reinsurance Assumed and Ceded

1. The following table summarizes ceded and assumed unearned premiums and the related commission equity at December 31, 2012.

(000's)	Assumed		Ceded		Assumed Less Ceded	
	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity
a. Affiliates	$0	$0	$546	$0	($546)	$0
b. All Others	0	0	178	0	($178)	$0
c. Totals	**$0**	**$0**	**$725**	**$0**	**($725)**	**$0**
d. Direct Unearned Premium Reserve			$26,814			

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, 2012 are as follows:

($000's) Description	Direct	Assumed	Ceded	Net
a. Contingent Commissions	$209	$0	$0	$209
b. Sliding Scale Adjustments	0	0	0	0
c. Other Profit Commissions	0	0	0	0
d. Totals	**$209**	**$0**	**$0**	**$209**

3. The Company does not use protected cells as an alternative to traditional reinsurance.

D. Uncollectible Reinsurance

No reinsurance recoverables were written off during 2012.

E. Commutation of Ceded Reinsurance

The Company did not enter into any commutation during 2012.

F. Retroactive Reinsurance

There was no retroactive reinsurance affected during 2012.

G. Reinsurance Accounted for as a Deposit

There were no reinsurance agreements that were accounted for as deposits during 2012.

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.

I. Certified Reinsurer Downgrades or Status Subject to Revocation

Not applicable.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

Not applicable.

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

(000's) Line of Business	2012 Calendar Year Losses and LAE Incurred			2012 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	$22,689	$5,264	$27,953	$27,395	$559	($25)	$583
Commercial Multiple Peril	0	0	0	0	0	0	0
Workers' Compensation	0	0	0	0	0	0	0
Other Liability	0	9	9	2	6	6	0
Product Liability	0	0	0	0	0	0	0
Auto	0	0	0	0	0	0	0
All Others	96	39	135	134	1	(8)	8
Totals	**$22,785**	**$5,312**	**$28,097**	**$27,531**	**$566**	**($26)**	**$592**

The estimated cost of loss adjustment expenses attributable to insured events of prior years increased by $0.6 million (1.0% of prior year reserves) during 2012, as shown in the chart above, which is not significant or material.

NOTES TO FINANCIAL STATEMENTS

Note 26 - Intercompany Pooling Arrangements

Not applicable.

Note 27 - Structured Settlements

A. Reserves Released due to Purchases of Annuities

Not applicable.

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

Not applicable.

Note 28 - Health Care Receivables

A. Pharmaceutical Rebate Receivables

Not applicable.

B. Risk Sharing Receivables

Not applicable.

Note 29 - Participating Policies

Not applicable.

Note 30 - Premium Deficiency Reserves

The Company's liability for premium deficiency reserves as of December 31, 2012 is as follows:

1. Liability carried for premium deficiency reserves	$0.00
2. Date of the most recent evaluation of this liability	January 8, 2013
3. Was anticipated investment income utilized in the calculation?	Yes

Note 31 - High Deductibles

Not applicable.

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

A. Tabular Discounts

Not applicable.

B. Non-Tabular Discounts

Not applicable.

C. Changes in Discount Assumptions

Not applicable.

Note 33 - Asbestos/Environmental Reserves

Not applicable.

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.