



PROPERTY AND CASUALTY COMPANIES - ASSOCIATION EDITION

ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2012
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 Ohio, State of Domicile or Port of Entry Ohio
Country of Domicile United States of America

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

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

Main Administrative Office 8877 N. Gainey Center Drive
(Street and Number)
Scottsdale, AZ, US 85258-2108, 480-365-4000
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

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

Internet Website Address www.scottsdaleins.com

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

OFFICERS

President & COO Michael Dean Miller VP & Treasurer Michael Patrick Leach #
VP & Asst Secretary Randall Lee Orr VP & Secretary Robert William Horner III

OTHER

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

DIRECTORS OR TRUSTEES

Michael Patrick Leach # Michael Dean Miller Doreen Katherine Reinke
Gary Lynn Tiepelman Susan Feola Wain

State of Arizona SS:
County of Maricopa

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

Michael Patrick Leach
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.....

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE SCOTTSDALE INSURANCE COMPANY

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)	877,157,456		877,157,456	891,782,192
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	229,514,580		229,514,580	199,843,451
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	2,855,948		2,855,948	3,193,281
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 (\$				
(49,505,665), Schedule E - Part 1), cash equivalents				
(\$				
, Schedule E - Part 2) and short-term				
investments (\$				
107,631,487, Schedule DA)	58,125,822		58,125,822	14,466,451
6. Contract loans (including \$				
premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)				
9. Receivable for securities				
10. Securities lending reinvested collateral assets (Schedule DL)	1,781,362	97,821	1,683,541	14,652,947
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	1,169,435,168	97,821	1,169,337,347	1,123,938,322
13. Title plants less \$				
charged off (for Title insurers				
only)				
14. Investment income due and accrued	9,080,837		9,080,837	9,052,347
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	410,473,882	27,323,292	383,150,590	166,745,426
15.2 Deferred premiums, agents' balances and installments booked but				
deferred and not yet due (including \$				
earned but unbilled premiums)	93,418,927	485,733	92,933,194	89,769,118
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	125,893,646		125,893,646	166,225,695
16.2 Funds held by or deposited with reinsured companies	207,780		207,780	1,432
16.3 Other amounts receivable under reinsurance contracts	1,134,165		1,134,165	
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon	1,603,460		1,603,460	4,796,659
18.2 Net deferred tax asset	37,634,050	4,369,177	33,264,873	36,746,828
19. Guaranty funds receivable or on deposit	1,038,251		1,038,251	1,034,544
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	30		30	
23. Receivables from parent, subsidiaries and affiliates	50,557,768		50,557,768	141,928,910
24. Health care (\$				
) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	21,767,078	10,450,777	11,316,301	7,236,015
26. Total assets excluding Separate Accounts, Segregated Accounts and				
Protected Cell Accounts (Lines 12 to 25)	1,922,245,042	42,726,800	1,879,518,242	1,747,475,296
27. From Separate Accounts, Segregated Accounts and Protected Cell				
Accounts				
28. Total (Lines 26 and 27)	1,922,245,042	42,726,800	1,879,518,242	1,747,475,296
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. Third party administrator receivable	3,792		3,792	
2502. Miscellaneous assets	4,184,799	471,704	3,713,095	7,236,015
2503. Recoupment receivable	1,049,510		1,049,510	
2598. Summary of remaining write-ins for Line 25 from overflow page	16,528,977	9,979,073	6,549,904	
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	21,767,078	10,450,777	11,316,301	7,236,015

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE SCOTTSDALE INSURANCE COMPANY
LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8)	313,878,539	310,802,977
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	88,325,608	89,196,665
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	67,770,398	66,904,127
4. Commissions payable, contingent commissions and other similar charges	12,863,558	14,869,803
5. Other expenses (excluding taxes, licenses and fees)	3,923,657	3,806,406
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	3,137,928	2,981,913
7.1 Current federal and foreign income taxes (including \$ on realized capital gains (losses))		
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 \$1,074,499,547 and including warranty reserves of \$1,153,765 and accrued accident and health experience rating refunds including \$ for medical loss ratio rebate per the Public Health Service Act)	235,253,350	224,670,185
10. Advance premium	4,985,742	4,580,490
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	277,602	251,061
12. Ceded reinsurance premiums payable (net of ceding commissions)	379,746,481	316,029,388
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	241,423	60,436
14. Amounts withheld or retained by company for account of others	9,560,195	5,136,430
15. Remittances and items not allocated		
16. Provision for reinsurance (including \$ certified) (Schedule F, Part 8)	5,573,259	3,321,518
17. Net adjustments in assets and liabilities due to foreign exchange rates		275
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	73,946,251	3,424,606
20. Derivatives		
21. Payable for securities		98,409
22. Payable for securities lending	1,932,000	14,828,900
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ and interest thereon \$		
25. Aggregate write-ins for liabilities	7,903,539	7,742,815
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	1,209,319,530	1,068,706,404
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	1,209,319,530	1,068,706,404
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
33. Surplus notes		
34. Gross paid in and contributed surplus	143,973,300	143,973,300
35. Unassigned funds (surplus)	520,198,212	518,694,749
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)	670,198,712	678,768,892
38. TOTALS (Page 2, Line 28, Col. 3)	1,879,518,242	1,747,475,296
DETAILS OF WRITE-INS		
2501. Contingent suits	520,229	397,926
2502. Loss based assessment	450,889	429,117
2503. Reserve for state escheat payment	5,624,103	5,970,187
2598. Summary of remaining write-ins for Line 25 from overflow page	1,308,318	945,585
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	7,903,539	7,742,815
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)		
3201. SSAP 10 DTA		10,073,643
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

ANNUAL STATEMENT FOR THE YEAR 2012 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).....	588,325,866	569,188,415
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7).....	357,975,909	373,482,669
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1).....	65,084,967	64,487,769
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....	207,840,867	193,540,993
5. Aggregate write-ins for underwriting deductions.....	21,773	5,283
6. Total underwriting deductions (Lines 2 through 5).....	630,923,516	631,516,714
7. Net income of protected cells.....		
8. Net underwriting gain or (loss) (Line 1 minus Line 6 plus Line 7).....	(42,597,650)	(62,328,299)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....	34,535,245	38,807,765
10. Net realized capital gains or (losses) less capital gains tax of \$(8,871) (Exhibit of Capital Gains (Losses)).....	(213,442)	311,035
11. Net investment gain (loss) (Lines 9 + 10).....	34,321,803	39,118,800
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$57,838 amount charged off \$2,867,070).....	(2,809,231)	(2,504,497)
13. Finance and service charges not included in premiums.....	6,702,054	6,914,565
14. Aggregate write-ins for miscellaneous income.....	1,342,354	2,173,718
15. Total other income (Lines 12 through 14).....	5,235,177	6,583,786
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	(3,040,670)	(16,625,713)
17. Dividends to policyholders.....	323,150	306,958
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).....	(3,363,820)	(16,932,671)
19. Federal and foreign income taxes incurred.....	(1,071,772)	(5,347,897)
20. Net income (Line 18 minus Line 19)(to Line 22).....	(2,292,048)	(11,584,774)
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2).....	678,768,892	655,121,410
22. Net income (from Line 20).....	(2,292,048)	(11,584,774)
23. Net transfers (to) from Protected Cell accounts.....		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$4,555,781.....	31,822,141	6,356,175
25. Change in net unrealized foreign exchange capital gain (loss).....	236,422	(80,190)
26. Change in net deferred income tax.....	1,513,923	2,014,685
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3).....	17,474,766	14,201,048
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1).....	(2,251,741)	12,370,480
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.....	(45,000,000)	
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.....	(10,073,643)	370,058
38. Change in surplus as regards policyholders for the year (Lines 22 through 37).....	(8,570,180)	23,647,482
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37).....	670,198,712	678,768,892
DETAILS OF WRITE-INS		
0501. Loss based assessment.....	21,773	5,283
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).....	21,773	5,283
1401. Contingent suit liability.....	(70,119)	106,161
1402. Other income.....	1,412,473	2,067,557
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page.....		
1499. Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above).....	1,342,354	2,173,718
3701. SSAP 10 DTA.....	(10,073,643)	370,058
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).....	(10,073,643)	370,058

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE SCOTTSDALE INSURANCE COMPANY

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	445,000,981	663,361,028
2. Net investment income	35,994,995	41,614,484
3. Miscellaneous income	3,102,707	8,762,762
4. Total (Lines 1 through 3)	484,098,683	713,738,274
5. Benefit and loss related payments	315,439,354	422,448,414
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	273,818,021	256,994,804
8. Dividends paid to policyholders	296,609	266,479
9. Federal and foreign income taxes paid (recovered) net of \$172,450 tax on capital gains (losses)	(4,273,842)	7,929,995
10. Total (Lines 5 through 9)	585,280,142	687,639,693
11. Net cash from operations (Line 4 minus Line 10)	(101,181,460)	26,098,581
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	96,379,897	149,537,020
12.2 Stocks	58,322	49,577
12.3 Mortgage loans	348,208	159,837
12.4 Real estate		
12.5 Other invested assets	12,917,545	
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(30,218)	1,536
12.7 Miscellaneous proceeds		210,412
12.8 Total investment proceeds (Lines 12.1 to 12.7)	109,673,755	149,958,381
13. Cost of investments acquired (long-term only):		
13.1 Bonds	76,442,342	129,440,513
13.2 Stocks		553,577
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		14,194,617
13.6 Miscellaneous applications	240,532	182,885
13.7 Total investments acquired (Lines 13.1 to 13.6)	76,682,874	144,371,593
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)	32,990,881	5,586,789
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	45,000,000	
16.6 Other cash provided (applied)	156,849,950	(94,979,202)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	111,849,950	(94,979,202)
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)	43,659,371	(63,293,832)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	14,466,451	77,760,283
19.2 End of period (Line 18 plus Line 19.1)	58,125,822	14,466,451

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

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ANNUAL STATEMENT FOR THE YEAR 2012 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	7,534,266	3,595,781	3,893,843	7,236,204
2.	Allied lines	9,717,836	4,390,113	4,906,388	9,201,561
3.	Farmowners multiple peril	12,674,147	5,409,615	6,146,256	11,937,506
4.	Homeowners multiple peril	106,858,669	55,919,489	57,209,189	105,568,969
5.	Commercial multiple peril	61,623,944	27,847,460	30,062,197	59,409,207
6.	Mortgage guaranty				
8.	Ocean marine	1,063,849	433,566	419,711	1,077,704
9.	Inland marine	6,592,385	3,107,577	3,096,208	6,603,754
10.	Financial guaranty				
11.1	Medical professional liability - occurrence	35,357	12,318	16,397	31,278
11.2	Medical professional liability - claims-made	106,863	23,123	34,593	95,393
12.	Earthquake	1,627,365	897,470	836,426	1,688,409
13.	Group accident and health	6,347,416	10,640	10,807	6,347,249
14.	Credit accident and health (group and individual)				
15.	Other accident and health	55,711	12,771	11,006	57,476
16.	Workers' compensation	10,778,906	4,483,446	4,932,802	10,329,550
17.1	Other liability - occurrence	38,376,134	16,166,731	17,316,633	37,226,232
17.2	Other liability - claims-made	9,835,872	3,713,869	4,511,022	9,038,719
17.3	Excess workers' compensation				
18.1	Products liability - occurrence	3,224,911	1,552,107	1,560,762	3,216,256
18.2	Products liability - claims-made	15,492	6,922	5,631	16,783
19.1, 19.2	Private passenger auto liability	167,170,919	47,071,409	48,018,011	166,224,317
19.3, 19.4	Commercial auto liability	34,913,262	14,080,178	15,602,717	33,390,723
21.	Auto physical damage	118,484,463	33,845,565	35,217,643	117,112,385
22.	Aircraft (all perils)				
23.	Fidelity	102,726	48,928	65,749	85,905
24.	Surety	639,043	232,596	240,777	630,862
26.	Burglary and theft	160,443	86,159	76,383	170,219
27.	Boiler and machinery	9,917	(92,803)	(100,886)	18,000
28.	Credit	4,943	27,527	17,877	14,593
29.	International	3	796	798	1
30.	Warranty	953,398	1,796,981	1,153,765	1,596,614
31.	Reinsurance - nonproportional assumed property	(4)	(1,833)	(1,838)	1
32.	Reinsurance - nonproportional assumed liability	(7)	(806)	(809)	(4)
33.	Reinsurance - nonproportional assumed financial lines				
34.	Aggregate write-ins for other lines of business				
35.	TOTALS	598,908,229	224,677,695	235,260,058	588,325,866
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 2012 OF THE SCOTTSDALE INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

Line of Business		1	2	3	4	5
		Amount Unearned (Running One Year or Less from Date of Policy) (a)	Amount Unearned (Running More Than One Year from Date of Policy) (a)	Earned But Unbilled Premium	Reserve for Rate Credits and Retrospective Adjustments Based on Experience	Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1.	Fire	3,878,645	15,198			3,893,843
2.	Allied lines	4,886,360	20,028			4,906,388
3.	Farmowners multiple peril	6,146,256				6,146,256
4.	Homeowners multiple peril	56,636,374	572,815			57,209,189
5.	Commercial multiple peril	30,029,980	32,217			30,062,197
6.	Mortgage guaranty					
8.	Ocean marine	401,204	18,507			419,711
9.	Inland marine	3,073,345	22,863			3,096,208
10.	Financial guaranty					
11.1	Medical professional liability - occurrence	16,397				16,397
11.2	Medical professional liability - claims-made	34,593				34,593
12.	Earthquake	834,130	2,296			836,426
13.	Group accident and health	10,807				10,807
14.	Credit accident and health (group and individual)					
15.	Other accident and health	6,146			4,860	11,006
16.	Workers' compensation	4,932,577	225			4,932,802
17.1	Other liability - occurrence	16,657,304	659,329			17,316,633
17.2	Other liability - claims-made	4,210,139	299,035		1,848	4,511,022
17.3	Excess workers' compensation					
18.1	Products liability - occurrence	1,529,580	31,182			1,560,762
18.2	Products liability - claims-made	5,631				5,631
19.1, 19.2	Private passenger auto liability	48,017,400	611			48,018,011
19.3, 19.4	Commercial auto liability	15,343,928	258,789			15,602,717
21.	Auto physical damage	35,212,589	5,054			35,217,643
22.	Aircraft (all perils)					
23.	Fidelity	39,372	26,377			65,749
24.	Surety	179,248	61,529			240,777
26.	Burglary and theft	76,383				76,383
27.	Boiler and machinery	(100,897)	11			(100,886)
28.	Credit	1	17,876			17,877
29.	International	798				798
30.	Warranty	(35,819)	1,189,584			1,153,765
31.	Reinsurance - nonproportional assumed property	(1,838)				(1,838)
32.	Reinsurance - nonproportional assumed liability	(809)				(809)
33.	Reinsurance - nonproportional assumed financial lines					
34.	Aggregate write-ins for other lines of business					
35.	TOTALS	232,019,824	3,233,526		6,708	235,260,058
36.	Accrued retrospective premiums based on experience					(6,708)
37.	Earned but unbilled premiums					
38.	Balance (Sum of Line 35 through 37)					235,253,350
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 2012 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	44,933,776	16,675,702		52,893,212	1,182,000	7,534,266
2. Allied lines	117,675,126	23,197,976		127,872,241	3,283,025	9,717,836
3. Farmowners multiple peril	2,635,544	13,222,394		3,134,892	48,899	12,674,147
4. Homeowners multiple peril	70,310,553	111,426,280		72,739,392	2,138,772	106,858,669
5. Commercial multiple peril	297,136,109	171,798,467	2,768,232	397,948,195	12,130,669	61,623,944
6. Mortgage guaranty						
8. Ocean marine	32,499	30,055,232		26,619,875	2,404,007	1,063,849
9. Inland marine	8,109,908	197,814,009		198,496,978	834,554	6,592,385
10. Financial guaranty						
11.1 Medical professional liability - occurrence		35,357				35,357
11.2 Medical professional liability - claims-made	34,600	2,743,845		2,671,582		106,863
12. Earthquake	10,670,529	1,751,925		10,688,867	106,222	1,627,365
13. Group accident and health		6,347,416				6,347,416
14. Credit accident and health (group and individual)						
15. Other accident and health		55,711				55,711
16. Workers' compensation		28,146,148		12,191,599	5,175,643	10,778,906
17.1 Other liability - occurrence	462,792,128	212,855,382	1,934,794	566,756,955	72,449,215	38,376,134
17.2 Other liability - claims-made	171,013,111	180,771,395	3,446,048	244,362,340	101,032,342	9,835,872
17.3 Excess workers' compensation						
18.1 Products liability - occurrence	16,661,279	10,482,166		23,351,866	566,668	3,224,911
18.2 Products liability - claims-made	342,384	60,412		387,304		15,492
19.1, 19.2 Private passenger auto liability		167,170,919				167,170,919
19.3, 19.4 Commercial auto liability	50,680,592	301,526,409	3,462	308,711,587	8,585,614	34,913,262
21. Auto physical damage	8,979,594	203,385,777	33	93,677,945	202,996	118,484,463
22. Aircraft (all perils)						
23. Fidelity	2,986	109,343		9,603		102,726
24. Surety		639,043				639,043
26. Burglary and theft	221,950	278,280		170,017	169,770	160,443
27. Boiler and machinery	1,995,858	2,413,276		249,483	4,149,734	9,917
28. Credit	708,322	15,998		123,588	595,789	4,943
29. International		3				3
30. Warranty	5,531,805	36,929,583		23,834,939	17,673,051	953,398
31. Reinsurance - nonproportional assumed property	XXX	(4)				(4)
32. Reinsurance - nonproportional assumed liability	XXX	(7)				(7)
33. Reinsurance - nonproportional assumed financial lines	XXX					
34. Aggregate write-ins for other lines of business						
35. TOTALS	1,270,468,653	1,719,908,437	8,152,569	2,166,892,460	232,728,970	598,908,229
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 2012 OF THE SCOTTSDALE INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire	11,426,410	5,857,046	14,690,346	2,593,110	966,229	788,354	2,770,985	38.3
2. Allied lines	50,778,689	17,263,092	61,431,970	6,609,811	1,994,330	1,343,960	7,260,181	78.9
3. Farmowners multiple peril	506,425	7,678,872	828,195	7,357,102	3,164,594	3,151,154	7,370,542	61.7
4. Homeowners multiple peril	33,787,424	73,219,905	36,889,317	70,118,012	21,977,259	22,877,627	69,217,644	65.6
5. Commercial multiple peril	130,464,646	83,308,887	179,518,860	34,254,673	42,069,567	40,873,177	35,451,063	59.7
6. Mortgage guaranty								
8. Ocean marine	(582,193)	29,989,162	28,475,121	931,848	818,447	838,712	911,583	84.6
9. Inland marine	3,389,236	112,639,176	113,470,014	2,558,398	1,309,202	573,292	3,294,308	49.9
10. Financial guaranty								
11.1 Medical professional liability - occurrence		101,775	82,710	19,065	77,018	75,845	20,238	64.7
11.2 Medical professional liability - claims-made		92,140	88,596	3,544	118,925	124,338	(1,869)	(2.0)
12. Earthquake		3,374		3,374	21,887	21,617	3,644	0.2
13. Group accident and health		4,341,596	1,339	4,340,257	26,843	23,364	4,343,736	68.4
14. Credit accident and health (group and individual)								
15. Other accident and health		258,966	175,956	83,010	138,866	170,865	51,011	88.8
16. Workers' compensation		8,779,007	3,267,532	5,511,475	27,097,855	25,089,052	7,520,278	72.8
17.1 Other liability - occurrence	242,116,811	86,679,153	313,321,805	15,474,159	54,614,933	54,845,884	15,243,208	40.9
17.2 Other liability - claims-made	30,185,908	27,467,050	55,790,006	1,862,952	4,961,640	3,885,312	2,939,280	32.5
17.3 Excess workers' compensation								
18.1 Products liability - occurrence	18,576,931	7,491,803	24,441,535	1,627,199	5,865,690	6,214,853	1,278,036	39.7
18.2 Products liability - claims-made	134,000	5,360	134,000	5,360	8,411	10,644	3,127	18.6
19.1, 19.2 Private passenger auto liability		107,264,283	(332)	107,264,615	111,079,189	114,625,092	103,718,712	62.4
19.3, 19.4 Commercial auto liability	31,043,639	166,087,405	177,398,100	19,732,944	35,788,920	33,079,027	22,442,837	67.2
21. Auto physical damage	4,879,998	127,829,074	59,709,301	72,999,771	1,566,971	1,954,866	72,611,876	62.0
22. Aircraft (all perils)								
23. Fidelity		5,981		5,981	4,301	(290)	10,572	12.3
24. Surety		17,901		17,901	(7,930)	(7,576)	17,547	2.8
26. Burglary and theft	2,692	69,139	2,292	69,539	23,309	35,009	57,839	34.0
27. Boiler and machinery	799,516	516,289	1,308,860	6,945	21,522	44,199	(15,732)	(87.4)
28. Credit	559,844	17,095	563,507	13,432	76,280	79,600	10,112	69.3
29. International								
30. Warranty	5,703,863	32,630,459	36,898,451	1,435,871	94,280	85,000	1,445,151	90.5
31. Reinsurance - nonproportional assumed property	XXX							
32. Reinsurance - nonproportional assumed liability	XXX							
33. Reinsurance - nonproportional assumed financial lines	XXX							
34. Aggregate write-ins for other lines of business								
35. TOTALS	563,773,839	899,613,990	1,108,487,481	354,900,348	313,878,538	310,802,977	357,975,909	60.8
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 2012 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 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Net Unpaid Loss Adjustment Expenses
	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	2,191,849	1,320,823	2,768,074	744,598	454,851	287,944	521,164	966,229	165,476
2. Allied lines	22,833,270	4,525,073	25,926,953	1,431,390	9,564,980	918,643	9,920,683	1,994,330	358,525
3. Farmowners multiple peril	14,948	2,889,746	224,448	2,680,246	15,000	627,139	157,791	3,164,594	696,531
4. Homeowners multiple peril	17,812,271	18,015,040	18,229,850	17,597,461	6,855,894	4,559,011	7,035,107	21,977,259	3,522,776
5. Commercial multiple peril	94,073,310	75,947,819	139,094,498	30,926,631	74,619,052	48,278,123	111,754,239	42,069,567	15,546,268
6. Mortgage guaranty									
8. Ocean marine	2,050	13,573,123	13,053,405	521,768	5,161	8,152,518	7,861,000	818,447	221,569
9. Inland marine	1,314,167	20,520,915	20,719,034	1,116,048	197,635	15,603,352	15,607,833	1,309,202	93,194
10. Financial guaranty									
11.1 Medical professional liability - occurrence	(60,000)	723,533	606,146	57,387	(56,650)	20,688	(55,593)	77,018	39,295
11.2 Medical professional liability - claims-made		2,681,231	2,605,030	76,201	10,313	1,100,514	1,068,103	118,925	39,566
12. Earthquake	55,000	5,077	55,000	5,077	1,210	18,600	3,000	21,887	8,955
13. Group accident and health						26,843		(a) 26,843	2,632
14. Credit accident and health (group and individual)									
15. Other accident and health		169,719	53,072	116,647		17,063	(5,156)	(a) 138,866	6,886
16. Workers' compensation		27,636,051	6,708,113	20,927,938		9,240,852	3,070,935	27,097,855	1,882,110
17.1 Other liability - occurrence	282,614,040	134,437,350	394,189,610	22,861,780	503,676,397	302,160,748	774,083,992	54,614,933	16,257,514
17.2 Other liability - claims-made	32,495,397	36,687,705	67,017,467	2,165,635	46,156,086	41,628,559	84,988,640	4,961,640	4,945,185
17.3 Excess workers' compensation									
18.1 Products liability - occurrence	26,456,276	11,592,902	35,254,928	2,794,250	52,464,550	16,058,123	65,451,233	5,865,690	4,243,673
18.2 Products liability - claims-made	205,000	8,200	205,000	8,200		211		8,411	1,752
19.1, 19.2 Private passenger auto liability		88,560,127	2,000,000	86,560,127		24,519,057	(5)	111,079,189	13,680,780
19.3, 19.4 Commercial auto liability	32,914,154	191,224,238	198,899,460	25,238,932	23,314,763	118,647,453	131,412,228	35,788,920	4,857,126
21. Auto physical damage	517,366	8,874,558	8,717,533	674,391	198,293	975,276	280,989	1,566,971	1,070,650
22. Aircraft (all perils)									
23. Fidelity		4,421		4,421		(120)		4,301	6,726
24. Surety		8,874		8,874		(16,804)		(7,930)	81,397
26. Burglary and theft	29,500	290,321	296,500	23,321		177	189	23,309	2,049
27. Boiler and machinery	284,653	172,749	464,029	(6,627)	2,400	111,725	85,976	21,522	39,727
28. Credit	209		209		2,285,187	58,094	2,267,001	76,280	
29. International									
30. Warranty	72	846	918		346,446	2,133,836	2,386,002	94,280	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	513,753,532	639,870,441	937,089,277	216,534,696	720,111,568	595,127,625	1,217,895,351	313,878,538	67,770,398
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 2012 OF THE SCOTTSDALE INSURANCE COMPANY

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	179,060,566			179,060,566
1.2 Reinsurance assumed	150,179,340			150,179,340
1.3 Reinsurance ceded	305,292,432			305,292,432
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	23,947,474			23,947,474
2. Commission and brokerage:				
2.1 Direct excluding contingent		263,287,135		263,287,135
2.2 Reinsurance assumed, excluding contingent		321,232,187		321,232,187
2.3 Reinsurance ceded, excluding contingent		506,229,915		506,229,915
2.4 Contingent - direct		39,223,314		39,223,314
2.5 Contingent - reinsurance assumed		14,786,864		14,786,864
2.6 Contingent - reinsurance ceded		42,789,786		42,789,786
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)		89,509,799		89,509,799
3. Allowances to managers and agents	18,516	952,491		971,007
4. Advertising	59,957	11,788,163	225	11,848,345
5. Boards, bureaus and associations	547,121	275,211	9,335	831,667
6. Surveys and underwriting reports	121,717	3,935,053		4,056,770
7. Audit of assureds' records	131	143,374		143,505
8. Salary and related items:				
8.1 Salaries	23,688,984	39,639,393	881,647	64,210,024
8.2 Payroll taxes	40,470	5,998,239		6,038,709
9. Employee relations and welfare	5,184,131	4,744,633	159,819	10,088,583
10. Insurance	12,605	863,932		876,537
11. Directors' fees	6	140,698	4,431	145,135
12. Travel and travel items	2,162,704	2,925,922	25,677	5,114,303
13. Rent and rent items	1,518,272	6,013,151	34,895	7,566,318
14. Equipment	1,098,147	958,458	120,987	2,177,592
15. Cost or depreciation of EDP equipment and software	66,052	4,067,674	721	4,134,447
16. Printing and stationery	286,407	2,124,141	598	2,411,146
17. Postage, telephone and telegraph, exchange and express	832,399	2,302,840	20,954	3,156,193
18. Legal and auditing	1,460,386	9,446,450	12,946	10,919,782
19. Totals (Lines 3 to 18)	37,098,005	96,319,823	1,272,235	134,690,063
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$0		11,057,542		11,057,542
20.2 Insurance department licenses and fees		1,205,877		1,205,877
20.3 Gross guaranty association assessments		(466,661)		(466,661)
20.4 All other (excluding federal and foreign income and real estate)		1,184,033		1,184,033
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		12,980,791		12,980,791
21. Real estate expenses				
22. Real estate taxes		47,860		47,860
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	4,039,488	8,982,594	22,886	13,044,968
25. Total expenses incurred	65,084,967	207,840,867	1,295,121 (a)	274,220,955
26. Less unpaid expenses - current year	67,770,398	18,886,892		86,657,290
27. Add unpaid expenses - prior year	66,904,127	20,623,578		87,527,705
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)	64,218,696	209,577,553	1,295,121	275,091,370
DETAILS OF WRITE-INS				
2401. Service fees		679,840		679,840
2402. Other expenses	3,943,944	6,742,294	21,342	10,707,580
2403. Outside services and income	95,544	1,420,266	1,544	1,517,354
2498. Summary of remaining write-ins for Line 24 from overflow page		140,194		140,194
2499. Totals (Lines 2401 thru 2403 plus 2498)(Line 24 above)	4,039,488	8,982,594	22,886	13,044,968

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

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE SCOTTSDALE INSURANCE COMPANY

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 5,559,746	5,611,145
1.1 Bonds exempt from U.S. tax	(a) 14,336,897	13,988,866
1.2 Other bonds (unaffiliated)	(a) 15,257,272	15,570,761
1.3 Bonds of affiliates	(a) .....	.....
2.1 Preferred stocks (unaffiliated)	(b) .....	.....
2.11 Preferred stocks of affiliates	(b) .....	.....
2.2 Common stocks (unaffiliated) .....	.....	.....
2.21 Common stocks of affiliates .....	.....	.....
3. Mortgage loans	(c) 193,216	191,402
4. Real estate	(d) .....	.....
5. Contract loans .....	.....	.....
6. Cash, cash equivalents and short-term investments	(e) 28,323	28,323
7. Derivative instruments	(f) .....	.....
8. Other invested assets .....	.....	.....
9. Aggregate write-ins for investment income	1,617	458,910
10. Total gross investment income	35,377,071	35,849,407
11. Investment expenses .....	.....	(g) 1,295,121
12. Investment taxes, licenses and fees, excluding federal income taxes .....	.....	(g)
13. Interest expense .....	.....	(h) 17,465
14. Depreciation on real estate and other invested assets .....	.....	(i)
15. Aggregate write-ins for deductions from investment income .....	.....	1,576
16. Total deductions (Lines 11 through 15) .....	.....	1,314,162
17. Net investment income (Line 10 minus Line 16) .....	.....	34,535,245
DETAILS OF WRITE-INS		
0901. Securities lending	1,617	1,617
0902. Home purchase income .....	.....	21,255
0903. Miscellaneous income .....	.....	436,038
0998. Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	1,617	458,910
1501. Mortgage Service Fees .....	.....	1,576
1502. ....	.....	.....
1503. ....	.....	.....
1598. Summary of remaining write-ins for Line 15 from overflow page .....	.....	.....
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15, above) .....	.....	1,576

- (a) Includes \$ 2,020,552 accrual of discount less \$ 3,509,096 amortization of premium and less \$ 701,243 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	2	3	4	5
	Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	5,430,512	.....
1.1 Bonds exempt from U.S. tax
1.2 Other bonds (unaffiliated)	(35,440)	.....	(35,440)	1,169,872	236,422
1.3 Bonds of affiliates
2.1 Preferred stocks (unaffiliated)
2.11 Preferred stocks of affiliates
2.2 Common stocks (unaffiliated)	8,746	.....	8,746	(18,057)	.....
2.21 Common stocks of affiliates	29,738,763	.....
3. Mortgage loans	10,874	.....
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)	(195,619)	(195,619)	45,960	.....
10. Total capital gains (losses)	(26,694)	(195,619)	(222,313)	36,377,924	236,422
DETAILS OF WRITE-INS					
0901. FX realized on currency	(30,218)	(30,218)	.....	.....
0902. Securities lending	(23,278)	(23,278)	45,960	.....
0903. Home purchases	(142,123)	(142,123)	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	(195,619)	(195,619)	45,960	.....

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE SCOTTSDALE INSURANCE COMPANY

EXHIBIT OF NON-ADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	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			
10. Securities lending reinvested collateral assets (Schedule DL)	97,821		(97,821)
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)	97,821		(97,821)
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	27,323,292	71,840,899	44,517,607
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	485,733	391,795	(93,938)
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	4,369,177	3,929,080	(440,097)
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	5,324
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets	10,450,777	16,845,648	6,394,871
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	42,726,800	93,012,746	50,285,946
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	42,726,800	93,012,746	50,285,946
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	4,763,123	8,050,790	3,287,667
2502. Other assets nonadmitted	5,215,950	8,752,594	3,536,644
2503. Miscellaneous assets	471,704	42,264	(429,440)
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	10,450,777	16,845,648	6,394,871

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. 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 \$5,573,259 and \$3,321,518 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.

NOTES TO FINANCIAL STATEMENTS

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 audited statutory surplus 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. Investments in affiliated companies are generally included in stocks. Unamortized goodwill at December 31, 2012 was \$16.2 million, which was fully admitted based upon adjusted policyholder surplus. 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).

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. There was no cumulative effect of this change in accounting principle 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.

NOTES TO FINANCIAL STATEMENTS

Pending Accounting Standards

On January 1, 2013, the Company adopted SSAP No. 92R, Accounting for Postretirement Benefits Other Than Pensions - A Replacement of SSAP No. 14 and SSAP No. 102, Accounting for Pensions - A Replacement of SSAP No. 89. The standards require insurers to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability and include non-vested employees in determining the plan obligations. In addition, a sponsor's fiscal year end will be used as the measurement date for estimating the fair value of postretirement benefit assets and liabilities. The guidance contains a transition provision that gives insurers the option to recognize the initial impact to surplus over 10 years. The Company is currently in the process of determining the impact of adoption of these standards and whether the transition option will be elected.

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.

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, 2012 related to the purchases of Freedom Specialty Insurance Company and VPI is \$725 thousand and \$2.1 million, respectively.

B. Statutory Merger

Not applicable.

C. Impairment Loss

Not applicable.

Note 4 - Discontinued Operations

Not applicable.

Note 5 - Investments

A. Mortgage Loans

1. There were no new commercial loans originated in 2012. No residential mortgages were loaned during 2012.

2. During 2012 the Company did not reduce interest rates on any outstanding loans.

3. At December 31, 2012, the maximum percentage of any one loan to the value of collateral at the time of the loan is 83.1%.

	12/31/2012	12/31/2011
4. As of year end, the company held mortgages with interest more than 180 days past due with a recorded investment, excluding accrued interest	\$ -	\$ -
a. Total interest due on mortgages with interest more than 180 days past due	\$ -	\$ -
5. Taxes, assessments, and any amounts advanced and not included in the mortgage loan total	\$ -	\$ -

NOTES TO FINANCIAL STATEMENTS

6. Current period impaired loans with a related allowance for credit losses	\$	-	\$	-
a. Related allowance for credit losses	\$	-	\$	-
7. Impaired mortgage loans without an allowance for credit losses	\$	-	\$	-
8. Average recorded investment in impaired loans	\$	-	\$	-
9. Interest income recognized during the period the loans were impaired	\$	-	\$	-
10. Amount of interest income recognized on a cash basis during the period the loans were impaired	\$	-	\$	-
11. Allowance for credit losses:				
a. Balance at beginning of period		15,897		16,516
b. Additions charged to operations		-		-
c. Direct write-downs charged against the allowances		(10,874)		(619)
d. Recoveries of amounts previously charged off		-		-
e. Balance at end of period	\$	<u>5,023</u>	\$	<u>15,897</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				
		12/31/2012	12/31/2011	
1. The total recorded investment in restructured loans, as of year end	\$	-	\$	-
2. The realized capital losses related to these loans	\$	-	\$	-
3. Total contractual commitments to extend credit to debtors owing receivables whose terms have been modified in troubled debt restructurings	\$	-	\$	-
4. The Company accrues interest income on impaired loans to the extent it is deemed collectible (delinquent less than 90 days) and the loan continues to perform under its original or restructured contractual terms. Interest received on non-accrual status mortgage loans on real estate is included in net investment income in the period received.				
C. Reverse Mortgages				
Not applicable.				
D. Loan-Backed Securities				
1. Prepayment assumptions are generally obtained using a model provided by a third-party vendor.				
2. 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	\$	(10,487)		
2. 12 Months or Longer	\$	<u>(129,167)</u>		
b. The aggregate related fair value of securities with unrealized losses:				
1. Less than 12 Months	\$	975,534		
2. 12 Months or Longer	\$	<u>6,826,100</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-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.

NOTES TO FINANCIAL STATEMENTS

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'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. Collateral Received

- a. Aggregate Amount Cash Collateral Received

	<u>Fair Value</u>
1. Repurchase Agreement	
(a) Open	\$ _____
(b) 30 Days or Less	_____
(c) 31 to 60 Days	_____
(d) 61 to 90 Days	_____
(e) Greater Than 90 Days	_____
(f) Subtotal	\$ _____
(g) Securities Received	_____
(h) Total Collateral Received	\$ _____
2. Securities Lending	
(a) Open	\$ 1,932,000
(b) 30 Days or Less	_____
(c) 31 to 60 Days	_____
(d) 61 to 90 Days	_____
(e) Greater Than 90 Days	_____
(f) Subtotal	\$ 1,932,000
(g) Securities Received	_____
(h) Total Collateral Received	\$ 1,932,000
3. Dollar Repurchase Agreement	
(a) Open	\$ _____
(b) 30 Days or Less	_____
(c) 31 to 60 Days	_____
(d) 61 to 90 Days	_____
(e) Greater Than 90 Days	_____
(f) Subtotal	\$ _____
(g) Securities Received	_____
(h) Total Collateral Received	\$ _____

- b. The aggregate fair value of all securities acquired from the sale, trade or use of the accepted collateral (reinvested collateral) \$1,781,362.

- c. The reporting entity receives primarily cash collateral in an amount in excess of the fair value of the securities lent. The reporting entity invests the cash collateral (primarily in short-term investments) to earn additional yield.

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

NOTES TO FINANCIAL STATEMENTS

5. Collateral Reinvestment

a. Aggregate Amount Cash Collateral Reinvested

	<u>Amortized Cost</u>	<u>Fair Value</u>
1. Repurchase Agreement		
(a) Open	\$ _____	\$ _____
(b) 30 Days or Less	_____	_____
(c) 31 to 60 Days	_____	_____
(d) 61 to 90 Days	_____	_____
(e) 91 to 120 Days	_____	_____
(f) 121 to 180 Days	_____	_____
(g) 181 to 365 Days	_____	_____
(h) 1 to 2 years	_____	_____
(i) 2 to 3 years	_____	_____
(j) Greater Than 3 years	_____	_____
(k) Subtotal	\$ _____	\$ _____
(l) Securities Received	_____	_____
(m) Total Collateral Reinvested	\$ _____	\$ _____

2. Securities Lending

(a) Open	\$ _____	\$ _____
(b) 30 Days or Less	1,702,284	1,702,284
(c) 31 to 60 Days	_____	_____
(d) 61 to 90 Days	_____	_____
(e) 91 to 120 Days	_____	_____
(f) 121 to 180 Days	_____	_____
(g) 181 to 365 Days	_____	_____
(h) 1 to 2 years	_____	_____
(i) 2 to 3 years	_____	_____
(j) Greater Than 3 years	119,011	79,078
(k) Subtotal	\$ 1,821,295	\$ 1,781,362
(l) Securities Received	_____	_____
(m) Total Collateral Reinvested	\$ 1,821,295	\$ 1,781,362

3. Dollar Repurchased Agreement

(a) Open	\$ _____	\$ _____
(b) 30 Days or Less	_____	_____
(c) 31 to 60 Days	_____	_____
(d) 61 to 90 Days	_____	_____
(e) 91 to 120 Days	_____	_____
(f) 121 to 180 Days	_____	_____
(g) 181 to 365 Days	_____	_____
(h) 1 to 2 years	_____	_____
(i) 2 to 3 years	_____	_____
(j) Greater Than 3 years	_____	_____
(k) Subtotal	\$ _____	\$ _____
(l) Securities Received	_____	_____
(m) Total Collateral Reinvested	\$ _____	\$ _____

b. Since the borrower or the Company may terminate a securities lending transaction at any time, to the extent loans are terminated in advance of reinvestment collateral maturities, the Company would repay its securities lending payable obligation from operating cash flows or the proceeds of sales from its investment portfolio, which includes significant liquid securities.

F. Real Estate

Not applicable.

NOTES TO FINANCIAL STATEMENTS

G. Low-Income Housing Tax Credits

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, 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	\$ 38,998,267	\$ 7,080,977	\$ 46,079,244
(1b) Statutory valuation allowance adjustment	\$ -	\$ -	\$ -
(1c) Adjusted gross deferred tax assets	\$ 38,998,267	\$ 7,080,977	\$ 46,079,244
(1d) Deferred tax assets nonadmitted	\$ 4,369,177	\$ -	\$ 4,369,177
(1e) Subtotal net admitted deferred tax asset	\$ 34,629,090	\$ 7,080,977	\$ 41,710,067
(1f) Deferred tax liabilities	\$ 1,018,043	\$ 7,427,151	\$ 8,445,194
(1g) Net admitted deferred tax asset/(net deferred tax liability)	\$ 33,611,047	\$ (346,174)	\$ 33,264,873

	12/31/2011		
	Ordinary	Capital	Total
(1a) Gross deferred tax assets	\$ 38,578,224	\$ 6,220,715	\$ 44,798,939
(1b) Statutory valuation allowance adjustment	\$ -	\$ -	\$ -
(1c) Adjusted gross deferred tax assets	\$ 38,578,224	\$ 6,220,715	\$ 44,798,939
(1d) Deferred tax assets nonadmitted	\$ 2,958,161	\$ 970,919	\$ 3,929,080
(1e) Subtotal net admitted deferred tax asset	\$ 35,620,063	\$ 5,249,796	\$ 40,869,859
(1f) Deferred tax liabilities	\$ 1,178,928	\$ 2,944,103	\$ 4,123,031
(1g) Net admitted deferred tax asset/(net deferred tax liability)	\$ 34,441,135	\$ 2,305,693	\$ 36,746,828

	Change		
	Ordinary	Capital	Total
(1a) Gross deferred tax assets	\$ 420,043	\$ 860,262	\$ 1,280,305
(1b) Statutory valuation allowance adjustment	\$ -	\$ -	\$ -
(1c) Adjusted gross deferred tax assets	\$ 420,043	\$ 860,262	\$ 1,280,305
(1d) Deferred tax assets nonadmitted	\$ 1,411,016	\$ (970,919)	\$ 440,097
(1e) Subtotal net admitted deferred tax asset	\$ (990,973)	\$ 1,831,181	\$ 840,208
(1f) Deferred tax liabilities	\$ (160,885)	\$ 4,483,048	\$ 4,322,163
(1g) Net admitted deferred tax asset/(net deferred tax liability)	\$ (830,088)	\$ (2,651,867)	\$ (3,481,955)

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)	\$ 30,268,765	\$ 2,996,108	\$ 33,264,873
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	\$ 30,268,765	\$ 2,996,108	\$ 33,264,873
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	\$ 76,442,900
(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	\$ 4,360,325	\$ 4,084,869	\$ 8,445,194
(2d) Deferred tax assets admitted as the result of application of SSAP No. 101			
Total ((2a) + (2b) + (2c))	\$ 34,629,090	\$ 7,080,977	\$ 41,710,067

NOTES TO FINANCIAL STATEMENTS

	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)	\$ 34,441,135	\$ 2,305,693	\$ 36,746,828
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	\$ 34,441,135	\$ 2,305,693	\$ 36,746,828
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	\$ 93,826,479
(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	\$ 1,178,928	\$ 2,944,103	\$ 4,123,031
(2d) Deferred tax assets admitted as the result of application of SSAP No. 101 Total ((2a) + (2b) + (2c))	\$ 35,620,063	\$ 5,249,796	\$ 40,869,859

	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)	\$ (4,172,370)	\$ 690,415	\$ (3,481,955)
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	\$ (4,172,370)	\$ 690,415	\$ (3,481,955)
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	\$ (17,383,579)
(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	\$ 3,181,397	\$ 1,140,766	\$ 4,322,163
(2d) Deferred tax assets admitted as the result of application of SSAP No. 101 Total ((2a) + (2b) + (2c))	\$ (990,973)	\$ 1,831,181	\$ 840,208

	12/31/2012	12/31/2011
(3a) Ratio percentage used to determine recovery period and threshold limitation amount	679.013%	760.0%
(3b) Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in (2b)2 above	\$ 509,619,335	\$ 625,509,860

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%	9.01%	9.01%

	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%	6.27%	6.27%

	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%	2.74%	2.74%

(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	\$ (1,071,772)	\$ (5,347,897)	\$ 4,276,125
(b) Foreign	\$ -	\$ -	\$ -
(c) Subtotal	\$ (1,071,772)	\$ (5,347,897)	\$ 4,276,125
(d) Federal income tax on net capital gains	\$ 60,544	\$ 140,589	\$ (80,045)
(e) Utilization of capital loss carry-forwards	\$ (69,415)	\$ -	\$ (69,415)
(f) Other	\$ -	\$ -	\$ -
(g) Federal and foreign income taxes incurred	\$ (1,080,643)	\$ (5,207,308)	\$ 4,126,665

NOTES TO FINANCIAL STATEMENTS

2. Deferred Tax Assets

	12/31/2012	12/31/2011	Change
(a) Ordinary:			
(1) Discounting of unpaid losses	\$ 10,308,546	\$ 10,947,598	\$ (639,052)
(2) Unearned premium reserve	\$ 16,559,438	\$ 15,808,540	\$ 750,898
(3) Policyholder reserves	\$ -	\$ -	\$ -
(4) Investments	\$ 34,237	\$ -	\$ 34,237
(5) Deferred acquisition costs	\$ -	\$ -	\$ -
(6) Policyholder dividends accrual	\$ -	\$ -	\$ -
(7) Fixed Assets	\$ -	\$ -	\$ -
(8) Compensation benefits accrual	\$ 4,749,897	\$ 3,898,242	\$ 851,655
(9) Pension accrual	\$ -	\$ -	\$ -
(10) Receivables - nonadmitted	\$ 1,825,583	\$ 14,792	\$ 1,810,791
(11) Net operating loss carry-forward	\$ 3,256,284	\$ 2,541,815	\$ 714,469
(12) Tax credit carry-forward	\$ -	\$ -	\$ -
(13) Other (including items <5% of total ordinary tax assets)	\$ 2,264,282	\$ 1,076,664	\$ 1,187,618
(14) Nonadmitted miscellaneous	\$ -	\$ 3,065,271	\$ (3,065,271)
(15) Nonadmitted premiums and agent bal	\$ -	\$ 1,225,302	\$ (1,225,302)
(99) Subtotal	\$ 38,998,267	\$ 38,578,224	\$ 420,043
(b) Statutory valuation allowance adjustment	\$ -	\$ -	\$ -
(c) Nonadmitted	\$ 4,369,177	\$ 2,958,161	\$ 1,411,016
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	\$ 34,629,090	\$ 35,620,063	\$ (990,973)
(e) Capital:			
(1) Investments	\$ 7,080,977	\$ 6,151,300	\$ 929,677
(2) Net capital loss carry-forward	\$ -	\$ 69,415	\$ (69,415)
(3) Real estate	\$ -	\$ -	\$ -
(4) Other (including items <5% of total capital tax assets)	\$ -	\$ -	\$ -
(99) Subtotal	\$ 7,080,977	\$ 6,220,715	\$ 860,262
(f) Statutory valuation allowance adjustment	\$ -	\$ -	\$ -
(g) Nonadmitted	\$ -	\$ 970,919	\$ (970,919)
(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)	\$ 7,080,977	\$ 5,249,796	\$ 1,831,181
(i) Admitted deferred tax assets (2d + 2h)	\$ 41,710,067	\$ 40,869,859	\$ 840,208

3. Deferred Tax Liabilities

	12/31/2012	12/31/2011	Change
(a) Ordinary:			
(1) Investments	\$ -	\$ -	\$ -
(2) Fixed assets	\$ -	\$ -	\$ -
(3) Deferred and uncollected premium	\$ -	\$ -	\$ -
(4) Policyholder reserves	\$ -	\$ -	\$ -
(5) Other (including items <5% of total ordinary tax liabilities)	\$ -	\$ -	\$ -
(6) Compensation and benefits accrual	\$ 697,639	\$ 1,046,458	\$ (348,819)
(7) Guaranty assessments	\$ 115,179	\$ 125,864	\$ (10,685)
(8) Agent acquisitions	\$ 138,544	\$ -	\$ 138,544
(9) Pension accrual	\$ 66,681	\$ 6,606	\$ 60,075
(99) Subtotal	\$ 1,018,043	\$ 1,178,928	\$ (160,885)
(b) Capital:			
(1) Investments	\$ 7,427,151	\$ 2,944,103	\$ 4,483,048
(2) Real estate	\$ -	\$ -	\$ -
(3) Other (including items <5% of total capital tax liabilities)	\$ -	\$ -	\$ -
(99) Subtotal	\$ 7,427,151	\$ 2,944,103	\$ 4,483,048
(c) Deferred tax liabilities (3a99 + 3b99)	\$ 8,445,194	\$ 4,123,031	\$ 4,322,163
4. Net deferred tax asset/(liability) (2i - 3c)	\$ 33,264,873	\$ 36,746,828	\$ (3,481,955)

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	\$ 46,079,244	\$ 44,798,939	\$ 1,280,305
(b) Deferred tax liabilities	8,445,194	4,123,031	4,322,163
(c) Net deferred tax assets (liabilities)	\$ 37,634,050	\$ 40,675,908	\$ (3,041,858)
(d) Tax effect of unrealized gains (losses)			(4,555,781)
(e) Change in deferred income tax			<u>\$ 1,513,923</u>

NOTES TO FINANCIAL STATEMENTS

- 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	\$ (1,080,643)	\$ (5,207,308)
(b) Change in deferred income tax	\$ (1,513,923)	\$ (2,014,685)
(c) Total income tax reported	\$ (2,594,566)	\$ (7,221,993)
(d) Income before taxes	\$ (3,372,691)	\$ (16,792,082)
(e) Federal statutory tax rate	35%	35%
(f) Expected income tax expense (benefit) at 35% statutory rate	\$ (1,180,442)	\$ (5,877,229)
(1) Tax-exempt income	\$ (4,195,574)	\$ (4,485,548)
(2) Dividends received deduction	\$ -	\$ -
(3) Nondeductible expenses	\$ 111,371	\$ 113,609
(4) Deferred tax benefit on nonadmitted assets	\$ 2,744,427	\$ 3,401,186
(5) Change in tax reserves	\$ (12,374)	\$ (277,752)
(6) Tax credits	\$ -	\$ -
(7) Other	\$ (61,974)	\$ (96,259)
(g) Total	\$ (2,594,566)	\$ (7,221,993)

- 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	\$ 8,380,243	2011	2031
Operating loss carryforwards	\$ 923,426	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.	Nationwide Insurance Company of Florida
Allied General Agency Company	Nationwide Lloyds
Allied Group, Inc.	Nationwide Mutual Insurance Company
Allied Insurance Company of America	Nationwide Property and Casualty Ins. Company
Allied Property and Casualty Insurance Company	Nationwide Retirement Solutions, Inc.
Allied Texas Agency, Inc.	Nationwide Retirement Solutions, Inc. of Arizona
AMCO Insurance Company	Nationwide Retirement Solutions, Inc. of Ohio
American Marine Underwriters, Inc.	Nationwide Retirement Solutions, Inc. of Texas
Crestbrook Insurance Company	Nationwide Retirement Solutions Insurance Agency, Inc.
Depositors Insurance Company	Nationwide SA Capital Trust
DVM Insurance Agency, Inc.	Nationwide Sales Solutions, Inc.
Freedom Specialty Insurance Company	NFS Distributors, Inc.
Harleysville Group, Inc.	NWD Asset Management Holdings, Inc.
Harleysville Insurance Company	NWD Investment Management, Inc.
Harleysville Insurance Company of New Jersey	NWD Management & Research Trust
Harleysville Insurance Company of New York	Pension Associates, Inc.
Harleysville Lake States Insurance Company	Premier Agency, Inc.
Harleysville Pennland Insurance Company	Profirst America Corporation
Harleysville Preferred Insurance Company	Provident Mutual Holding Company
Harleysville Services, Inc.	Registered Investment Advisors Services, Inc.
Harleysville Worcester Insurance Company	Riverview International Group, Inc.
Insurance Intermediaries, Inc.	Scottsdale Indemnity Company
Lone Star General Agency, Inc.	Scottsdale Insurance Company
National Casualty Company	Scottsdale Surplus Lines Insurance Company
Nationwide Advantage Mortgage Company	THI Holdings (Delaware), Inc.
Nationwide Affinity Insurance Company of America	Titan Auto Insurance of New Mexico, Inc.
Nationwide Agribusiness Insurance Company	Titan Indemnity Company
Nationwide Assurance Company	Titan Insurance Company
Nationwide Bank	Titan Insurance Services, Inc.
Nationwide Cash Management Company	V.P.I. Services, Inc.
Nationwide Corporation	Veterinary Pet Insurance Company
Nationwide Financial General Agency, Inc.	Victoria Automobile Insurance Company
Nationwide Financial Institution Distribution Agency, Inc.	Victoria Fire & Casualty Company

NOTES TO FINANCIAL STATEMENTS

Nationwide Financial Services, Inc.	Victoria National Insurance Company
Nationwide General Insurance Company	Victoria Select Insurance Company
Nationwide Global Holdings, Inc.	Victoria Specialty Insurance Company
Nationwide Global Ventures, Inc.	WI of Florida, Inc.
Nationwide Indemnity Company	Western Heritage Insurance Company
Nationwide Insurance Company of America	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.

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 investments for the respective accounts of the participants. Amounts on deposit with NCMC were \$107.6 million and \$64.3 million as of December 31, 2012 and 2011, respectively.

B. Detail of Transactions Greater than ½ % 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.

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.

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 \$13.2 million and \$28.3 million due from parent at December 31, 2012 and 2011, respectively. The Company reported gross amounts of \$50.6 million and \$141.9 million due from parent and affiliates and \$73.9 million and \$3.4 million 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.

NOTES TO FINANCIAL STATEMENTS

L. Downstream Holding Company

Not applicable.

Note 11 - Debt

A. All Other Debt

Not applicable.

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

Not applicable.

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

A. Defined Benefit Plans

Mutual sponsors a defined benefit pension plan and a postretirement health care benefit plan covering substantially all employees of the Company. See Note LED.

B. Defined Contribution Plans

Mutual sponsors a defined contribution savings plan covering substantially all employees of the Company. See Note LED.

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 \$248.6 million and \$246.8 million on December 31, 2012 and December 31, 2011, respectively. Total Plan liabilities for non-qualified defined benefit plans were \$283.6 million and \$271.4 million on December 31, 2012 and December 31, 2011, respectively. Total expense related to the non-qualified benefit plans was \$18.8 million and \$17.3 million for years ended December 31, 2012 and 2011, respectively.

The ASP is a non-qualified, unfunded deferred compensation program available to eligible agents. The designated agents covered by the ASP 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 ASP.

Total liabilities related to the ASP were \$1,144.8 million and \$1,134.9 million at December 31, 2012 and 2011, respectively. Total expense recorded for this program was \$81.4 million and \$109.3 million for the years ended December 31, 2012 and 2011, respectively.

E. Postemployment Benefits and Compensated Absences

Not applicable.

F. Impact of Medicare Modernization Act on Postretirement Benefits

Mutual sponsors a postretirement health care benefit plan. See Note LED.

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 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 25, 2012, the Company paid an ordinary dividend of \$45 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.

NOTES TO FINANCIAL STATEMENTS

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 \$89.7 million less applicable deferred taxes of \$7.4 million for a net unrealized capital gain of \$82.3 million.

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.

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.

As of December 31, 2012 and 2011, the Company accrued a liability for guaranty fund and other assessments of \$600 thousand and \$1.0 million and a related premium tax benefit asset of \$435 thousand and \$519 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
a. Assets recognized from paid and accrued premium tax offsets and policy holder surcharges prior year-end	\$ 519,219
b. Decreases current year:	
Premium tax offsets applied	\$ 23,487
Change in accrued premium tax offsets	\$ 60,817
c. Increases current year:	
d. Assets recognized from paid and accrued premium tax offsets and policy holder surcharges current year-end	\$ 434,915

C. Gain Contingencies

Not applicable.

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: \$6.7 million

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 \$2.3 million and \$2.4 million as of December 31, 2012 and 2011, respectively.

NOTES TO FINANCIAL STATEMENTS

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 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 \$1,879,183, at December 31, 2012. The Company does not hold any non-cash collateral for loaned securities as of December 31, 2012.

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.

NOTES TO FINANCIAL STATEMENTS

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.	-	3,579,455	-	3,579,455
Total Bonds	\$ -	\$ 3,579,455	\$ -	\$ 3,579,455
Sec Lending	-	79,078	-	79,078
Preferred Stocks	-	-	-	-
Common Stocks	-	-	-	-
Loans held for sale	-	-	-	-
Separate Account Assets	-	-	-	-
Derivative Assets	-	-	-	-
Total Assets at Fair Value	\$ -	\$ 3,658,533	\$ -	\$ 3,658,533
Liabilities at Fair Value				
Derivative 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	\$ 1,008,397,236	\$ 873,578,001	\$ 341,467,260	\$ 621,157,914	\$ 45,772,062	
Stocks	229,514,579	229,514,580	-	-	229,514,579	
Mortgage loans	3,119,530	2,855,948	-	-	3,119,530	
Short-term investments	107,631,487	107,631,487	-	107,631,487	-	
Derivative assets						
Policy loans						
Securities lending collateral assets ¹	1,702,284	1,702,284		1,702,284		
Total Assets	\$ 1,350,365,116	\$ 1,215,282,300	\$ 341,467,260	\$ 730,491,685	\$ 278,406,171	

Liabilities

Derivative liabilities

Total Liabilities

1 - Includes non admitted assets

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

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	\$ 210,464	\$ 68,624	\$ 68,624	\$ 121,686
b. Commercial mortgage backed securities				
c. Collateralized debt obligations				
d. Structured securities				
e. Equity investments in SCAs*				
f. Other Assets				
g. Total	\$ 210,464	\$ 68,624	\$ 68,624	\$ 121,686

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 13, 2013 for the statutory statement issued on February 15, 2013.

Type II – Nonrecognized Subsequent Events:

Subsequent events have been considered through February 13, 2013 for the statutory statement issued on February 15, 2013.

NOTES TO FINANCIAL 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 an individual reinsurer that exceeds 3% of policyholders' surplus. The amount is shown below by reinsurer.

NAIC Group	Reinsurer	FEIN #	Unsecured Reinsurance (000's)
0140	Nationwide Mutual Insurance Company	31-4177100	\$ 3,552,634
0140	Veterinary Pet Insurance	95-3750113	\$ 103,407
	Alterra Reinsurance USA	06-1481194	\$ 39,795
	Endurance Reinsurance Corp of America	35-2293075	\$ 32,192
	Everest Reinsurance Company	22-2005057	\$ 25,470
	Munich Reinsurance Americ	13-4924125	\$ 49,057
	Sirius America Insurance	13-2997499	\$ 27,072
	Transatlantic Reinsurance	13-5616275	\$ 53,932
	XL Reinsurance America Inc	13-1290712	\$ 20,349
	Hannover Rueckversicherun	AA-1340125	\$ 22,825

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

- 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	\$750,270	\$145,349	\$957,890	\$219,362	(\$207,620)	(\$74,013)
b. All Others	2,409	1,019	116,609	29,635	(\$114,200)	(\$28,616)
c. Totals	\$752,679	\$146,368	\$1,074,500	\$248,997	(\$321,820)	(\$102,629)
d. Direct Unearned Premium Reserve			\$557,074			

- 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	\$116,447	\$21,635	\$128,708	\$9,374
b. Sliding Scale Adjustments	0	0	0	0
c. Other Profit Commissions	0	0	0	0
d. Totals	\$116,447	\$21,635	\$128,708	\$9,374

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

D. Uncollectible Reinsurance

The Company has written off in the current year reinsurance balances due from the companies listed below, in the amount of \$731,378, which is reflected as:

a. Losses Incurred	\$ 621,874
b. Loss adjustment expenses Incurred	\$ 109,504
c. Premiums Earned	\$ -
d. Other	\$ -
e. <u>Company</u>	<u>Amount</u>
Beacon Insurance Company	\$ 23,365
Central National Insurance Co	(\$ 169)
Delta America Re Insurance Co	(\$ 227,607)
Folksam International	\$ 22,029
Heartland Group Syndicate	\$ 5,518
HIH Casualty & General Insurance Ltd	(\$ 5,992)
Lumbermens Mutual Casualty Co	\$ 849,742
Mutual Fire & Inland Marine	\$ 25,881
NEM Reinsurance Co	\$ 16,554
Paladin Re Bermuda	\$ 16,553
Sovereign Marine & General	\$ 5,520
Walbrook Insurance Co	(\$ 16)
	\$ 731,378

NOTES TO FINANCIAL STATEMENTS

E. Commutation of Ceded Reinsurance

The Company has reported in its operations in the current year as a result of commutation of reinsurance with the companies listed below, amounts that are reflected as:

(1) Losses Incurred	\$ 4,672,304
(2) Loss adjustment expenses Incurred	\$ 1,546,458
(3) Premiums earned	\$ 4,119
(4) Other	\$ -
(5) <u>Company</u>	<u>Amount</u>
American Centennial Ins	\$ 18,768
Atlantic Mutual Insurance Co	\$ 306,352
Candon Syndicate	\$ 5,518
Converium Reinsurance North America	\$ 1,130,511
CX Reinsurance Company	(\$ 111,157)
Dominion Ins Company Ltd	\$ 5,518
Dorinco Reinsurance Co	\$ 281,058
Essex Insurance Co	(\$ 157)
Excalibur/PMA Capital Insurance Co	\$ 1,559,410
First National Indemnity	\$ 10,683
First New York Syndicate	\$ 33,379
Global Re Corp of America	(\$ 2,875,105)
Imperial Casualty	(\$ 5,336)
Insurance Corp of New York	(\$ 2,974)
Maiden Lane Syndicate	\$ 9,845
Municipal General Ins Co	\$ 657,962
Reinsurance Australia Corp Ltd	(\$ 58,237)
Reliance Insurance Company	\$ 1,006,770
Rosemont Reinsurance Limited	\$ 25,813
San Francisco Re Co	\$ 48,251
South Place Syndicate	\$ 9,845
Swiss Reinsurance America Corp	\$ 3,471,282
Trenwick America Reinsurance Corp	\$ 694,882

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

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 \$20 thousand or 0.25% of accident and health premiums written.

D. Medical Loss Ratio Rebates

Not applicable.

E. Calculation of Nonadmitted Accrued Retrospective Premiums

Not applicable.

NOTES TO FINANCIAL STATEMENTS

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	Shortage	Loss & DCC	Impact of AO
	Losses Incurred	LAE Incurred	Totals	Losses and LAE Incurred	(Redundancy)	Shortage (Redundancy)	on Total Shortage (Redundancy)
Homeowners / Farmowners	\$76,588	\$10,595	\$87,183	\$87,305	(\$122)	(\$295)	\$173
Commercial Multiple Peril	\$35,451	\$7,968	\$43,419	\$42,974	\$445	\$510	(\$65)
Workers' Compensation	\$7,520	\$1,148	\$8,669	\$7,778	\$891	\$943	(\$52)
Other Liability	\$18,182	\$9,048	\$27,231	\$28,905	(\$1,674)	(\$2,756)	\$1,082
Product Liability	\$1,281	\$604	\$1,885	\$2,137	(\$252)	(\$228)	(\$24)
Auto	\$198,773	\$33,728	\$232,502	\$234,987	(\$2,485)	(\$3,342)	\$857
All Others	\$20,179	\$1,993	\$22,173	\$22,083	\$89	(\$37)	\$126
Totals	\$357,976	\$65,085	\$423,061	\$426,168	(\$3,107)	(\$5,205)	\$2,098

The estimated cost of loss and loss adjustment expenses attributable to insured events of prior years decreased by \$3.1 million (0.8% of prior year reserves) during 2012, as shown in the chart above. The slight redundancy was primarily driven by the standard auto liability line of business. The favorable impacts are primarily due to claims process improvements and the increased adequacy of case reserve levels.

Note 26 - Intercompany Pooling Arrangements

Mutual is the lead company in the Nationwide Pool. Each pool member company contributes 100% of its underwriting results to the Nationwide Pool through the reinsurance pooling agreement. As of December 31, 2012 and 2011, the companies in the Nationwide Pool assuming a proportionate share of the pool are:

	NAIC #	Pool
Nationwide Mutual Insurance Company	23787	83.7%
Nationwide Mutual Fire Insurance Company	23779	11.3%
Scottsdale Insurance Company	41297	4.0%
Farmland Mutual Insurance Company	13838	1.0%

All of the other companies in the Nationwide Pool have a 0% retrocession. The zero percent participants in the Nationwide Pool are: Nationwide General Insurance Company (NAIC # 23760), Nationwide Property and 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 and Casualty Insurance Company (NAIC # 42579), Depositors Insurance Company (NAIC # 42587), Nationwide Agribusiness Insurance Company (NAIC # 28223), Victoria Fire & Casualty 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 agreements.

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

Amounts due to/from the lead entity and pool participants as of December 31, 2012:

Name of Insurer	Amounts Receivable	Amounts Payable
Nationwide Mutual Insurance Company (Lead Insurer)	\$ 113,074,931	\$ 94,671,260
Nationwide Mutual Fire Insurance Company	\$ 468,388	\$ 18,316,489
Scottsdale Insurance Company	\$ 13,235,587	\$ 7,787
Farmland Mutual Insurance Company	\$ 35,361,563	\$ 39,682,403
Nationwide General Insurance Company	\$ 68,056	\$ 5,262,070
Nationwide Property & Casualty Insurance Company	\$ 788	\$ 36,519,037
Nationwide Affinity Insurance Company of America	\$ 5,080,787	\$ 12,926,124
Crestbrook Insurance Company	\$ 99,324	\$ 96,903
Allied Insurance Company of America	\$ -	\$ 603
AMCO Insurance Company	\$ 97,035,477	\$ 82,248,770
Allied Property & Casualty Insurance Company	\$ 2,962,695	\$ 1,970,283
Depositors Insurance Company	\$ 3,354,179	\$ 872
Nationwide Agribusiness Insurance Company	\$ 39,929,752	\$ 25,984,424
Victoria Fire & Casualty Insurance Company	\$ 5,783,395	\$ 1,579,036
Victoria Automobile Insurance Company	\$ 668,001	\$ 441,315
Victoria Specialty Insurance Company	\$ 344,954	\$ 919,046
Victoria Select Insurance Company	\$ 1,056,159	\$ 3,261,791
Victoria National Insurance Company	\$ 100	\$ 3,326

The following companies are covered under a separate 100% quota share reinsurance agreement with the Company as of and for the years ended December 31, 2012 and 2011: Nationwide Assurance Company, Titan Insurance Company, Titan Indemnity Company, Nationwide Lloyds, Nationwide Insurance Company of America, National Casualty Company, and Colonial County Mutual Insurance Company. The Company then cedes this business into the Nationwide Pool.

The following companies are covered under a separate 100% quota share reinsurance agreement with Scottsdale Insurance Company as of and for the years ended December 31, 2012 and 2011: Scottsdale Surplus Lines Insurance Company, Western Heritage Insurance Company, Scottsdale Indemnity Company and Freedom Specialty Insurance Company. Scottsdale Insurance Company then cedes 100% of this business to the Company.

NOTES TO FINANCIAL STATEMENTS

Note 27 - Structured Settlements

A. Reserves Released due to Purchases of Annuities

The Company has settled certain losses with structured settlement agreements whereby the Company has purchased an annuity with the claimant as the payee. Certain of these annuities are without qualified assignments. The Company is contingently liable under the settlement agreements without qualified assignments if the annuity-issuing company is unable to meet the payment obligations to the Company's claimant under the settlement agreement. The amortized value of the annuities under such agreements for direct losses as of December 31, 2012 and 2011 is \$6.7 million and \$6.0 million, respectively.

Loss Reserves Eliminated by Annuities
\$6.7 million

Unrecorded Loss Contingencies
\$0

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 2012.

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

The Company discounts the liabilities for unpaid losses and loss expenses for long-term accident and health claims. The Company does not discount 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.

A. Tabular Discounts

- 1987 Commissioner's Group Disability Table (CGDT)
- For the 1987 CGDT, rate used was the maximum interest rate permitted by law in the valuation of a single premium immediate annuity issued on the same date as the claim incurral date, reduced by one hundred basis points (rates used vary from 4.00% to 10.25%).
- The December 31, 2012 liabilities include \$22 thousand of such discounted reserves.

NOTES TO FINANCIAL STATEMENTS

4. The table below represents the amount of tabular discount as of December 31, 2012.

Schedule P Lines of Business	Tabular Discount Included in Schedule P, Part 1*	
	1 Case	2 IBNR
1. Homeowners/Farmowners		
2. Private Passenger Auto Liability/Medical		
3. Commercial Auto/Truck Liability/Medical		
4. Workers' Compensation		
5. Commercial Multiple Peril		
6. Medical Professional Liability - occurrence		
7. Medical Professional Liability - claims-made		
8. Special Liability		
9. Other Liability - occurrence		
10. Other Liability - claims-made		
11. Special Property		
12. Auto Physical Damage		
13. Fidelity, Surety		
14. Other (including Credit, Accident & Health)	22,250	
15. International		
16. Reinsurance Nonproportional Assumed Property		
17. Reinsurance Nonproportional Assumed Liability		
18. Reinsurance Nonproportional Assumed Financial Lines		
19. Products Liability - occurrence		
20. Products Liability - claims-made		
21. Financial Guaranty/Mortgage Guaranty		
22. Warranty		
23. Total	\$ 22,250	\$ -

* Must exclude medical loss reserves and all loss adjustment expense reserves.

B. Non-Tabular Discounts

The Company does not have any non-tabular discount.

C. Changes in Discount Assumptions

None.

Note 33 - Asbestos/Environmental Reserves

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

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

(1) Asbestos Claims - Direct	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Beginning Reserves:	\$1,931,845	\$1,831,884	\$1,724,389	\$1,740,363	\$1,569,583
Incurred Loss and Loss Adj. Expense:	\$ 35,731	\$ 62,086	\$ 254,948	\$ 72,979	\$ 87,055
Calendar Year Payments:	\$ 135,693	\$ 169,582	\$ 238,975	\$ 243,759	\$ 365,035
Ending Reserve:	\$1,831,884	\$1,724,389	\$1,740,363	\$1,569,583	\$1,291,603
(2) Asbestos Claims - Assumed					
(3) Asbestos Claims - Net	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Beginning Reserves:	\$ 347,088	\$ 347,387	\$ 346,557	\$ 368,203	\$ 340,355
Incurred Loss and Loss Adj. Expense:	\$ 14,907	\$ 9,824	\$ 61,435	\$ (15,376)	\$ 131,580
Calendar Year Payments:	\$ 14,608	\$ 10,653	\$ 39,789	\$ 12,472	\$ 37,920
Ending Reserve:	\$ 347,387	\$ 346,557	\$ 368,203	\$ 340,355	\$ 434,015

NOTES TO FINANCIAL STATEMENTS

B.	Bulk and IBNR Losses and LAE					
(1)	Direct					\$1,010,519
(2)	Assumed					None
(3)	Net of Ceded Reinsurance					\$ 280,016
C.	Case, Bulk and IBNR LAE					
(1)	Direct					\$ 481,565
(2)	Assumed					None
(3)	Net of Ceded Reinsurance					\$ 143,000
D.	See A above					
(1)	Environmental Claims - Direct	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
	Beginning Reserves:	\$1,285,916	\$1,213,868	\$1,154,451	\$1,124,932	\$1,037,737
	Incurred Loss & Loss Adj. Expense:	\$ 37,042	\$ 28,648	\$ 43,557	\$ (6,524)	\$ 32,611
	Calendar Year Payments:	\$ 109,090	\$ 88,063	\$ 73,075	\$ 80,670	\$ 41,467
	Ending Reserve:	\$1,213,868	\$1,154,451	\$1,124,932	\$1,037,737	\$1,028,880
(2)	Environmental Claims - Assumed					
(3)	Environmental Claims - Net	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
	Beginning Reserves:	\$1,029,344	\$ 976,184	\$1,005,827	\$ 980,036	\$ 921,498
	Incurred Loss and Loss Adj. Expense:	\$ 36,710	\$ 106,148	\$ 43,454	\$ 18,921	\$ 35,210
	Calendar Year Payments:	\$ 89,870	\$ 76,505	\$ 69,245	\$ 77,459	\$ 37,641
	Ending Reserve:	\$ 976,184	\$1,005,827	\$ 980,036	\$ 921,498	\$ 919,066
E.	Bulk and IBNR Losses and LAE					
(1)	Direct					\$ 838,576
(2)	Assumed					None
(3)	Net of Ceded Reinsurance					\$ 740,000
F.	Case, Bulk and IBNR LAE					
(1)	Direct					\$ 393,700
(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.

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 [X] 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 [X] 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 [X]
- 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. 12/31/2011
- 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 [X]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [] No [] N/A [X]
- 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 [X]
4.12 renewals? Yes [] No [X]
- 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 [X]
4.22 renewals? Yes [] No [X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 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 | 2 | 3 |
|----------------|-------------------|-------------------|
| Name of Entity | NAIC Company Code | 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 [X]
- 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 [X]
- 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	2
Nationality	Type of Entity

ANNUAL STATEMENT FOR THE YEAR 2012 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 below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), 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 FDIC	6 SEC
Nationwide Bank	Columbus, OH	NO	YES	NO	NO
Nationwide Investment Services Corp.	Columbus, OH	NO	NO	NO	YES
Nationwide Securities, LLC	Dublin, OH	NO	NO	NO	YES
Nationwide Fund Distributors, LLC	King of Prussia, PA	NO	NO	NO	YES
Nationwide Advantage Mortgage Company	Des Moines, IA	NO	NO	NO	NO

- 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?
G. Chris Nyce, FCAS, MAAA, KPMG LLP, 100 Matsonford Road, Radnor, PA-19087, Principal
- 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 [X] No []
- 14.21 If the response to 14.2 is yes, provide information related to amendment(s).
All topics covered in the previous Code of Conduct have been retained without substantive change. New sample questions and answers have been added. New language has been added to cover social networking, securities laws, political contributions, corporate social responsibility and vendor relationships.
- 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).
.....

GENERAL INTERROGATORIES

- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? 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: \$ 13,235,587

INVESTMENT

- 24.01 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 24.03) Yes [] No [X]
- 24.02 If no, give full and complete information relating thereto
Held on Deposit with States
- 24.03 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, 2012, Nationwide had loaned \$1,879,183 to approved counterparties and received collateral amounts of \$1,932,000.
- 24.04 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 []
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$ 1,781,362
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$
- 24.07 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 []
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [X] No [] N/A []
- 24.09 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 2012 OF THE SCOTTSDALE INSURANCE COMPANY
GENERAL INTERROGATORIES**

24.10 For the reporting entity's security lending program state the amount of the following as December 31 of the current year:

24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	\$	1,781,362
24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	\$	1,781,362
24.103 Total payable for securities lending reported on the liability page	\$	1,932,000

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 24.03). Yes 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	\$

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

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

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 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

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 Blvd, Columbus, OH 43215-2220

**ANNUAL STATEMENT FOR THE YEAR 2012 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	877,157,460	1,011,976,698	134,819,238
30.2 Preferred stocks			
30.3 Totals	877,157,460	1,011,976,698	134,819,238

- 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 2012 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.	

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	588,325,866	569,188,415
2.3 Premium Ratio (2.1/2.2) .....	.000	.000
2.4 Reserve Numerator	192,180	220,562
2.5 Reserve Denominator	705,227,895	691,573,954
2.6 Reserve Ratio (2.4/2.5) .....	.000	.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

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 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 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 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
- 8.2 If yes, give full information
The Scottsdale Insurance Group, including Scottsdale Insurance Company, Scottsdale Surplus Lines Company, Scottsdale Indemnity Company and National Casualty Company, commuted reinsurance treaties with GLOBAL Reinsurance Company of America for \$5.2 million.
.....
- 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 noncancellable 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
- 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
- 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
- 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
(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
(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
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances 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 No N/A

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 [X] No []
- 12.6 If yes, state the amount thereof at December 31 of the current year:
- 12.61 Letters of credit\$7,868,489
- 12.62 Collateral and other funds.....\$922,302
- 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	5,691,131	346,516	5,531,805	6,435,001	7,012,549
16.14 Other*					

* Disclose type of coverage:
.....

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 - P art 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 2012 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 2012	2 2011	3 2010	4 2009	5 2008
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)	1,610,700,431	1,592,172,746	1,456,589,457	1,469,903,677	1,514,578,939
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	633,694,585	399,866,047	367,821,234	379,957,817	389,898,193
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	703,794,444	632,159,259	570,290,909	553,752,201	541,245,573
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	50,340,210	59,202,845	49,430,288	41,435,829	61,886,242
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	(11)	51	2,874	1,235	5,216
6. Total (Line 35)	2,998,529,659	2,683,400,948	2,444,134,762	2,445,050,759	2,507,614,163
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)	264,457,716	250,785,278	252,019,507	260,611,059	271,449,775
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	144,116,758	138,556,881	139,999,087	144,028,994	151,692,358
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	182,230,526	172,258,722	169,242,486	170,426,334	177,566,094
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	8,103,240	10,830,620	10,311,202	8,621,597	10,190,687
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	(11)	51	2,874	1,235	5,216
12. Total (Line 35)	598,908,229	572,431,552	571,575,156	583,689,219	610,904,130
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(42,597,650)	(62,328,299)	(6,194,967)	(23,336,035)	(42,131,828)
14. Net investment gain or (loss) (Line 11)	34,321,803	39,118,800	38,300,554	48,464,951	42,719,736
15. Total other income (Line 15)	5,235,177	6,583,786	6,706,494	5,524,188	7,189,229
16. Dividends to policyholders (Line 17)	323,150	306,958	260,432	210,372	499,257
17. Federal and foreign income taxes incurred (Line 19)	(1,071,772)	(5,347,897)	8,258,205	2,650,239	(2,195,897)
18. Net income (Line 20)	(2,292,048)	(11,584,774)	30,293,444	27,792,493	9,473,777
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	1,879,518,242	1,747,475,296	1,765,129,712	1,771,529,394	1,700,315,620
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	383,150,590	166,745,426	298,126,940	317,101,535	308,048,522
20.2 Deferred and not yet due (Line 15.2)	92,933,194	89,769,118	80,682,820	85,034,596	88,772,858
20.3 Accrued retrospective premiums (Line 15.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 26)	1,209,319,530	1,068,706,404	1,110,008,302	1,161,360,445	1,181,448,661
22. Losses (Page 3, Line 1)	313,878,539	310,802,977	323,903,492	337,795,727	333,482,687
23. Loss adjustment expenses (Page 3, Line 3)	67,770,398	66,904,127	67,844,578	71,380,783	71,700,549
24. Unearned premiums (Page 3, Line 9)	235,253,350	224,670,185	221,431,823	227,373,527	234,813,618
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)	670,198,712	678,768,892	655,121,410	610,168,949	518,866,959
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	(101,181,460)	26,098,581	14,394,580	21,707,117	41,103,293
Risk-Based Capital Analysis					
28. Total adjusted capital	670,198,712	678,768,892	655,121,410	610,137,125	518,866,959
29. Authorized control level risk-based capital	93,802,827	89,339,905	68,547,959	68,539,028	66,397,178
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)	75.0	79.3	76.3	83.4	85.3
31. Stocks (Lines 2.1 & 2.2)	19.6	17.8	16.8	15.7	12.4
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	0.2	0.3	0.3	0.3	0.4
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	5.0	1.3	6.6	0.5	0.6
35. Contract loans (Line 6)					
36. Derivatives (Line 7)				XXX	XXX
37. Other invested assets (Line 8)					1.3
38. Receivables for securities (Line 9)			0.0	0.0	0.0
39. Securities lending reinvested collateral assets (Line 10)	0.1	1.3	0.0	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)	229,514,580	199,775,817	199,088,351	188,966,939	141,083,177
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
48. Total of above Lines 42 to 47	229,514,580	199,775,817	199,088,351	188,966,939	156,083,177
49. Total Investment in Parent included in Lines 42 to 47 above					
50. 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)	34.2	29.4	30.4	31.0	30.1

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE SCOTTSDALE INSURANCE COMPANY

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2012	2 2011	3 2010	4 2009	5 2008
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24)	31,822,141	6,356,175	11,824,608	31,851,678	(19,359,010)
52. Dividends to stockholders (Line 35)	(45,000,000)				
53. Change in surplus as regards policyholders for the year (Line 38)	(8,570,180)	23,647,482	44,952,461	91,301,990	(15,170,828)
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
54. 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)	726,025,265	838,480,198	773,449,985	738,140,312	635,046,667
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	334,137,926	202,363,716	178,252,167	183,495,525	214,851,477
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	359,688,933	363,660,026	277,843,180	273,840,959	283,236,534
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	43,535,705	46,768,060	47,046,596	46,460,892	48,251,117
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)			497,504	466,660	559,623
59. Total (Line 35)	1,463,387,829	1,451,272,000	1,277,089,432	1,242,404,348	1,181,945,418
Net Losses Paid (Page 9, Part 2, Col. 4)					
60. 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)	151,501,313	151,338,821	149,629,583	152,556,678	148,452,720
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	84,834,003	86,276,449	78,478,818	81,702,786	84,819,790
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	112,668,580	141,006,327	108,447,435	113,584,064	120,032,063
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	5,896,452	7,961,593	8,459,667	6,804,490	7,709,933
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)			497,504	466,660	559,623
65. Total (Line 35)	354,900,348	386,583,190	345,513,007	355,114,678	361,574,129
Operating Percentages (Page 4) (Line divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2)	60.8	65.6	57.4	60.8	63.8
68. Loss expenses incurred (Line 3)	11.1	11.3	10.3	10.6	10.9
69. Other underwriting expenses incurred (Line 4)	35.3	34.0	33.3	32.6	32.2
70. Net underwriting gain (loss) (Line 8)	(7.2)	(11.0)	(1.1)	(3.9)	(6.9)
Other Percentages					
71. 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)	33.8	32.7	32.5	32.1	30.9
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	71.9	76.9	67.8	71.4	74.7
73. 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)	89.4	84.3	87.2	95.7	117.7
One Year Loss Development (000 omitted)					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P - Part 2 - Summary, Line 12, Col. 11)	(5,205)	(16,663)	(21,636)	(5,437)	3,285
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100.0)	(0.8)	(2.5)	(3.5)	(1.0)	0.6
Two Year Loss Development (000 omitted)					
76. 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)	(21,469)	(32,878)	(15,682)	(5,124)	(681)
77. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0)	(3.3)	(5.4)	(3.0)	(1.0)	(0.1)

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 2012 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							10 Salvage and Subrogation Received	11 Total Net Paid Cols (4 - 5 + 6 - 7 + 8 - 9)	12 Number of Claims Reported Direct and Assumed
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments					
				4	5	6	7	8	9				
										Direct and Assumed			
1. Prior	XXX	XXX	XXX	3,327	2,118	1,062	555	177	78	91	1,815	XXX	
2. 2003	538,785	23,533	515,251	295,953	21,132	15,795	1,463	39,722	213	15,528	328,662	XXX	
3. 2004	575,591	33,420	542,171	309,968	27,011	15,626	1,694	42,127	179	15,690	338,836	XXX	
4. 2005	607,691	28,461	579,230	338,065	35,872	18,132	1,873	45,624	881	16,596	363,195	XXX	
5. 2006	663,204	50,153	613,051	330,555	21,653	17,271	1,558	60,350	1,077	17,410	383,888	XXX	
6. 2007	664,038	45,001	619,037	344,288	22,822	16,789	1,154	32,462	444	20,783	369,120	XXX	
7. 2008	668,324	58,727	609,597	391,896	23,989	15,713	975	49,052	811	18,947	430,886	XXX	
8. 2009	644,024	52,902	591,122	350,061	21,890	13,179	1,033	43,940	1,224	18,114	383,033	XXX	
9. 2010	631,414	53,893	577,521	329,011	20,786	9,716	820	43,846	1,557	18,505	359,410	XXX	
10. 2011	628,293	59,105	569,188	347,558	23,038	6,305	603	45,914	1,637	19,110	374,498	XXX	
11. 2012	652,654	64,328	588,326	238,274	17,550	1,900	99	37,370	1,221	13,285	258,676	XXX	
12. Totals	XXX	XXX	XXX	3,278,956	237,862	131,488	11,825	440,584	9,321	174,061	3,592,020	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		21 Direct and Assumed	22 Ceded			
	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	33,722	18,308	11,899	7,794	1,342	878	2,666	1,085	224	13	186	21,775	XXX
2. 2003	1,845	996	436	134	133	18	373	49	49	2	52	1,636	XXX
3. 2004	5,321	3,975	841	439	340	143	457	83	95	5	71	2,411	XXX
4. 2005	4,378	2,093	1,466	771	296	80	835	52	169	9	120	4,139	XXX
5. 2006	4,715	1,699	2,119	1,081	362	97	1,283	94	211	13	225	5,705	XXX
6. 2007	9,055	1,450	2,985	1,382	480	64	1,930	116	219	20	335	11,637	XXX
7. 2008	12,529	2,539	4,300	1,755	693	130	2,947	140	503	41	442	16,366	XXX
8. 2009	18,174	1,891	6,541	2,308	1,063	180	4,633	273	721	75	816	26,406	XXX
9. 2010	30,197	2,931	11,561	3,967	1,676	337	7,787	538	1,225	130	1,253	44,543	XXX
10. 2011	53,050	4,529	21,860	6,179	1,979	449	12,934	1,189	2,324	262	2,389	79,539	XXX
11. 2012	93,119	9,157	71,341	12,196	1,657	349	18,027	1,784	7,364	530	9,264	167,492	XXX
12. Totals	266,104	49,569	135,349	38,005	10,021	2,727	53,873	5,403	13,106	1,099	15,150	381,649	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
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX			XXX	19,518	2,257
2. 2003	354,306	24,008	330,298	65.8	102.0	64.1			4.0	1,151	486
3. 2004	374,776	33,529	341,247	65.1	100.3	62.9			4.0	1,748	663
4. 2005	408,964	41,631	367,334	67.3	146.3	63.4			4.0	2,980	1,159
5. 2006	416,865	27,272	389,594	62.9	54.4	63.5			4.0	4,053	1,652
6. 2007	408,209	27,452	380,757	61.5	61.0	61.5			4.0	9,208	2,428
7. 2008	477,632	30,380	447,252	71.5	51.7	73.4			4.0	12,535	3,831
8. 2009	438,313	28,874	409,439	68.1	54.6	69.3			4.0	20,517	5,889
9. 2010	435,019	31,066	403,953	68.9	57.6	69.9			4.0	34,859	9,684
10. 2011	491,923	37,887	454,037	78.3	64.1	79.8			4.0	64,202	15,337
11. 2012	469,053	42,885	426,168	71.9	66.7	72.4			4.0	143,107	24,385
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX			XXX	313,879	67,770

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 2012 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 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010	9 2011	10 2012	11 One Year	12 Two Year
1. Prior.....	161,761	169,497	175,428	171,852	173,035	175,688	176,806	177,581	178,348	177,746	(602)	164
2. 2003.....	303,070	294,954	294,475	292,229	291,556	291,380	291,035	291,044	290,822	290,742	(80)	(302)
3. 2004.....	XXX	309,365	306,502	302,963	303,064	301,524	300,339	299,637	299,320	299,209	(111)	(428)
4. 2005.....	XXX	XXX	331,805	324,562	324,708	324,919	323,576	322,985	322,376	322,433	57	(552)
5. 2006.....	XXX	XXX	XXX	338,074	335,352	335,489	333,768	331,867	330,674	330,122	(552)	(1,745)
6. 2007.....	XXX	XXX	XXX	XXX	356,779	358,779	353,844	350,740	348,749	348,540	(209)	(2,200)
7. 2008.....	XXX	XXX	XXX	XXX	XXX	404,124	407,096	402,366	398,696	398,550	(146)	(3,817)
8. 2009.....	XXX	XXX	XXX	XXX	XXX	XXX	382,557	371,166	367,161	366,076	(1,085)	(5,090)
9. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	368,068	362,647	360,568	(2,079)	(7,500)
10. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	408,097	407,698	(400)	XXX
11. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	383,185	XXX	XXX
12. Totals											(5,205)	(21,469)

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 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010	9 2011	10 2012		
1. Prior.....	000	61,149	97,393	117,340	131,308	137,622	145,422	149,703	154,447	156,164	XXX	XXX
2. 2003.....	171,621	230,935	254,063	270,025	279,062	283,769	286,093	287,663	288,570	289,153	XXX	XXX
3. 2004.....	XXX	172,587	236,183	261,265	278,125	287,006	292,019	294,607	295,921	296,889	XXX	XXX
4. 2005.....	XXX	XXX	181,063	249,100	279,208	297,668	308,511	314,303	316,709	318,452	XXX	XXX
5. 2006.....	XXX	XXX	XXX	185,444	258,003	287,542	305,711	316,424	321,958	324,615	XXX	XXX
6. 2007.....	XXX	XXX	XXX	XXX	196,962	271,807	300,409	319,461	330,614	337,102	XXX	XXX
7. 2008.....	XXX	XXX	XXX	XXX	XXX	235,375	319,832	350,381	371,082	382,645	XXX	XXX
8. 2009.....	XXX	XXX	XXX	XXX	XXX	XXX	215,141	289,795	320,961	340,317	XXX	XXX
9. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	213,896	287,749	317,121	XXX	XXX
10. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	252,995	330,221	XXX	XXX
11. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	222,526	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)									
	1 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010	9 2011	10 2012
1. Prior.....	59,705	37,803	25,840	18,770	14,859	12,767	10,823	10,039	6,332	5,700
2. 2003.....	70,375	27,130	15,249	8,729	5,106	3,403	2,189	1,451	961	626
3. 2004.....	XXX	69,236	29,465	16,751	8,805	5,060	3,312	2,133	1,237	777
4. 2005.....	XXX	XXX	75,176	33,127	18,537	10,464	6,466	3,977	2,374	1,480
5. 2006.....	XXX	XXX	XXX	79,541	35,979	20,180	11,258	6,215	3,696	2,228
6. 2007.....	XXX	XXX	XXX	XXX	80,138	36,652	20,999	11,291	5,918	3,417
7. 2008.....	XXX	XXX	XXX	XXX	XXX	81,437	38,107	19,944	9,586	5,352
8. 2009.....	XXX	XXX	XXX	XXX	XXX	XXX	82,127	32,408	16,148	8,593
9. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	73,561	28,421	14,843
10. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	69,197	27,426
11. 2012.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	75,388

ANNUAL STATEMENT FOR THE YEAR 2012 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	23,517,192	22,259,343	10,330,083	6,654,029	10,935,325		
2. Alaska	AK	E	3,655,768	3,340,884	1,041,932	1,526,038	3,015,627		
3. Arizona	AZ	L	10,700,634	10,375,777	5,485,304	5,524,073	4,510,630	295	16,813
4. Arkansas	AR	E	7,860,407	7,394,646	6,015,548	5,997,729	5,093,641		
5. California	CA	E	207,126,578	200,875,882	71,830,524	83,908,250	204,263,422	200	96,560
6. Colorado	CO	E	14,256,088	12,908,500	5,140,106	3,993,291	11,380,590		
7. Connecticut	CT	E	8,706,874	8,211,233	3,339,172	6,707,427	14,262,089		246
8. Delaware	DE	L	1,171,466	1,166,660	436,555	369,889	1,016,713		
9. District of Columbia	DC	E	2,635,073	2,216,154	3,497,829	4,354,744	2,513,423		
10. Florida	FL	E	164,275,853	162,804,679	50,964,544	50,755,032	117,189,862		
11. Georgia	GA	E	30,972,628	31,298,039	11,031,855	16,088,823	29,384,792		31,804
12. Hawaii	HI	E	9,788,992	10,381,592	2,022,864	2,003,634	9,708,996		
13. Idaho	ID	E	3,491,704	3,364,329	599,506	1,489,274	3,971,754		4,022
14. Illinois	IL	E	28,792,710	28,360,320	21,472,781	22,772,195	50,112,733		
15. Indiana	IN	E	16,426,174	15,081,822	6,583,367	6,814,264	12,332,033		
16. Iowa	IA	E	7,716,604	7,331,590	5,114,653	8,601,464	8,770,045		
17. Kansas	KS	E	7,809,952	7,266,451	4,179,521	3,369,986	3,725,708		1,680
18. Kentucky	KY	E	6,048,907	5,926,222	10,905,655	2,380,912	6,211,464		
19. Louisiana	LA	E	80,771,950	75,178,139	24,930,152	31,520,136	59,764,936		
20. Maine	ME	E	2,066,140	1,884,673	578,582	645,913	2,146,110		
21. Maryland	MD	E	13,372,476	12,947,390	17,357,329	12,408,543	15,111,002		15,186
22. Massachusetts	MA	E	26,502,036	25,233,556	11,640,923	17,194,206	34,629,134		66,357
23. Michigan	MI	E	10,444,206	9,965,232	1,975,949	3,642,492	11,223,999		13,961
24. Minnesota	MN	E	8,393,035	7,556,262	5,705,830	2,015,234	9,821,579	100	
25. Mississippi	MS	E	16,001,477	15,266,533	5,732,712	8,243,972	9,573,458		
26. Missouri	MO	E	19,542,321	14,723,443	7,634,576	6,397,479	10,631,248		
27. Montana	MT	E	4,746,412	4,255,628	876,786	159,328	2,595,668		13,812
28. Nebraska	NE	E	5,085,075	4,876,857	2,243,518	1,611,192	3,589,726		
29. Nevada	NV	E	6,965,927	7,259,935	3,320,408	1,681,325	8,596,486		
30. New Hampshire	NH	E	2,231,096	2,194,849	61,783	177,255	2,335,510		8,723
31. New Jersey	NJ	E	59,504,753	55,468,633	30,354,224	58,978,261	86,981,773	240	
32. New Mexico	NM	E	6,001,979	5,858,909	1,673,911	2,107,996	5,854,703		
33. New York	NY	E	136,229,096	113,750,392	71,514,302	81,428,210	216,030,642		745,105
34. North Carolina	NC	E	27,076,903	25,974,162	8,680,091	7,456,360	11,986,311		
35. North Dakota	ND	E	2,082,804	1,752,647	408,692	328,285	1,073,403		
36. Ohio	OH	L	5,156,357	6,824,788	5,223,859	6,082,809	5,663,499	150	
37. Oklahoma	OK	E	13,335,527	12,554,164	9,807,341	11,710,108	8,677,848	80	3,014
38. Oregon	OR	E	9,892,665	9,554,135	3,174,561	3,044,513	11,217,065	90	69,788
39. Pennsylvania	PA	E	22,774,483	21,684,966	9,514,661	7,403,800	31,292,591		1,840
40. Rhode Island	RI	E	2,718,510	2,918,819	874,041	1,557,654	3,937,896		13,034
41. South Carolina	SC	E	23,949,876	23,704,672	12,137,708	12,426,544	13,407,373		
42. South Dakota	SD	E	987,066	929,035	201,004	269,901	974,229		
43. Tennessee	TN	E	17,017,360	15,897,936	10,716,278	12,764,310	14,075,378		
44. Texas	TX	E	135,567,915	131,662,476	66,528,605	71,920,786	96,263,092	45	
45. Utah	UT	E	5,679,539	5,687,579	1,512,286	1,798,574	7,325,859		
46. Vermont	VT	E	1,430,057	1,451,070	35,313	354,328	1,600,307		9,495
47. Virginia	VA	E	18,741,458	17,542,437	5,912,788	7,484,169	16,937,795		3,728
48. Washington	WA	E	18,404,362	17,994,900	14,940,293	5,844,037	20,555,534		
49. West Virginia	WV	E	4,693,885	4,494,577	1,757,126	1,515,278	3,545,689		13,013
50. Wisconsin	WI	E	5,932,524	5,511,771	5,308,744	1,545,374	6,867,804		
51. Wyoming	WY	E	2,027,644	1,943,214	1,387,764	825,873	880,524		
52. American Samoa	AS	N							
53. Guam	GU	N							
54. Puerto Rico	PR	E	22,449	31,633	59,900	59,526	217,224		
55. U.S. Virgin Islands	VI	N							
56. Northern Mariana Islands	MP	N							
57. Canada	CAN	N							
58. Aggregate other alien	OT	XXX	165,686	126,435		43,697	80,858		
59. Totals	(a)	3	1,270,468,653	1,205,225,970	563,773,839	615,958,522	1,233,865,100	1,200	1,128,181
DETAILS OF WRITE-INS									
58001. Bermuda	XXX		120,000	55,000		25,025	25,025		
58002. England	XXX		45,686	71,435		18,672	55,833		
58003.	XXX								
58998. Summary of remaining write-ins for Line 58 from overflow page	XXX								
58999. Totals (Lines 58001 through 58003 plus 58998)(Line 58 above)	XXX		165,686	126,435		43,697	80,858		

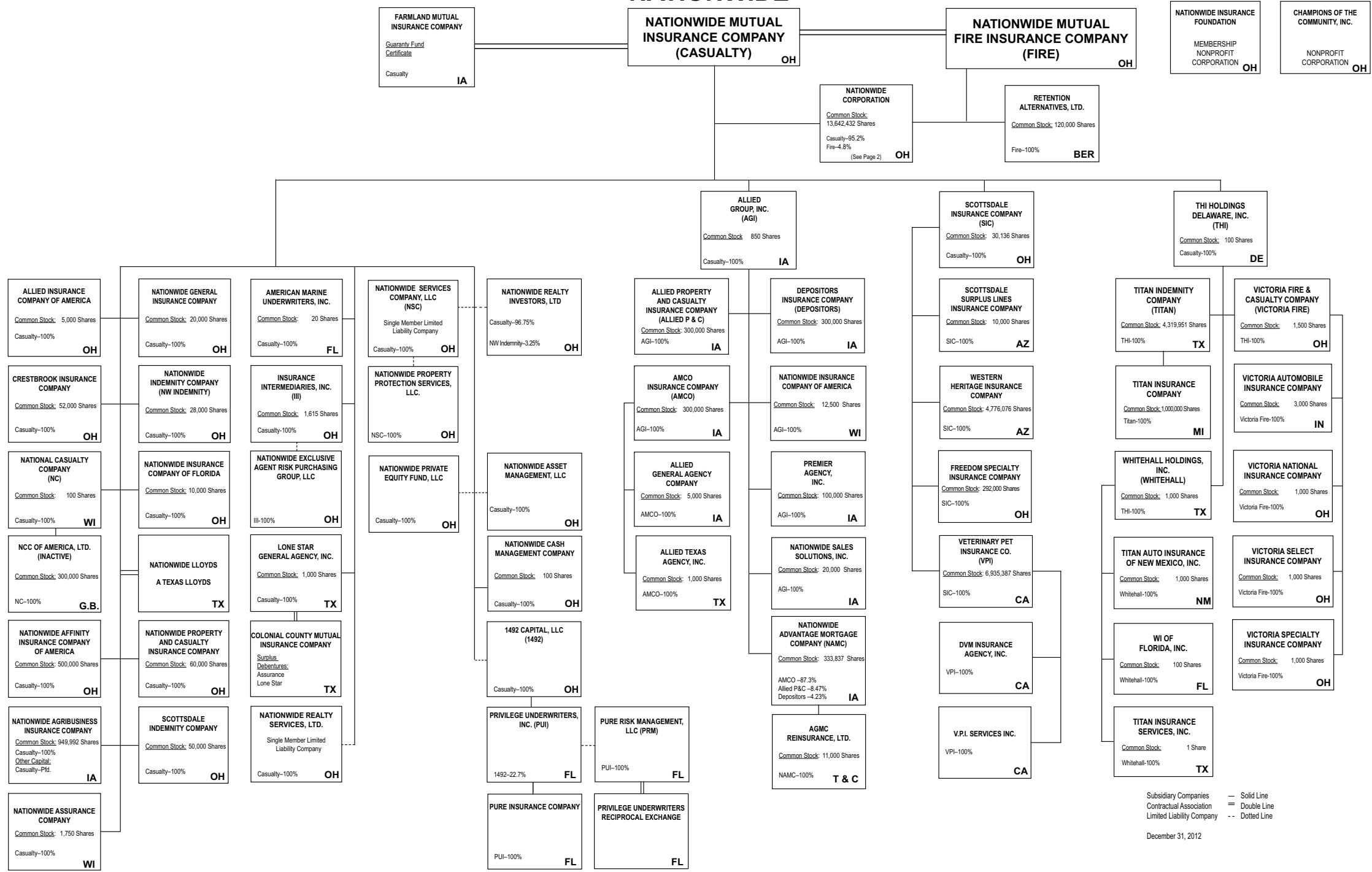
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business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

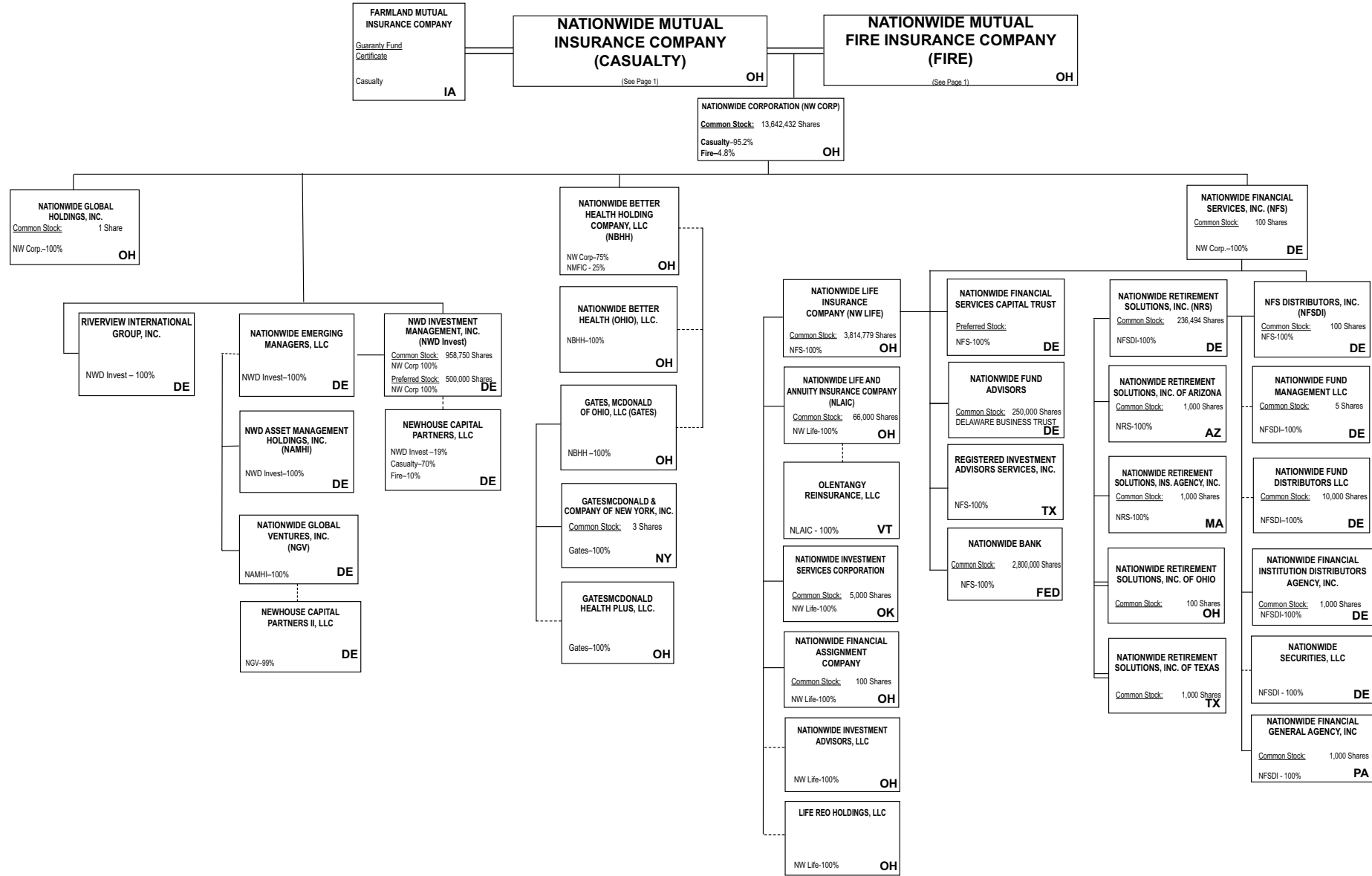
(a) Insert the number of L responses except for Canada and Other Alien.

NATIONWIDE®



ANNUAL STATEMENT FOR THE YEAR 2012 OF THE SCOTTSDALE INSURANCE COMPANY

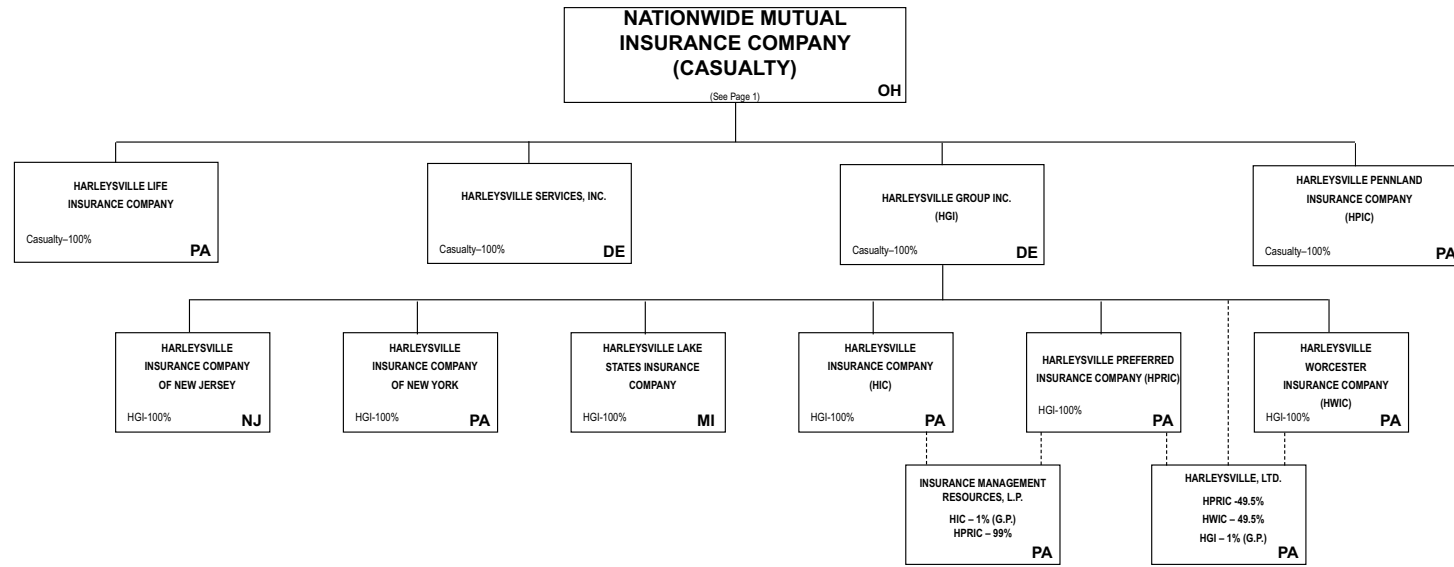
NATIONWIDE®



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

December 31, 2012

NATIONWIDE®



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

December 31, 2012

NATIONWIDE INSURANCE COMPANIES

NAIC Group Code	Group Name	NAIC Company Code	State of Domicile	Federal ID Number	Name of Company
0140	Nationwide	10127	OH	27-0114983	Allied Insurance Company of America
0140	Nationwide	42579	IA	42-1201931	Allied Property and Casualty Insurance Company
0140	Nationwide	19100	IA	42-6054959	AMCO 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	22209	OH	75-6013587	Freedom Specialty Insurance Company
0140	Nationwide	23582	PA	41-0417250	Harleysville Insurance Company
0140	Nationwide	42900	NJ	23-2253669	Harleysville Insurance Company of New Jersey
0140	Nationwide	10674	PA	23-2864924	Harleysville Insurance Company of New York
0140	Nationwide	14516	MI	38-3198542	Harleysville Lake States Insurance Company
0140	Nationwide	64327	PA	23-1580983	Harleysville Life Insurance Company
0140	Nationwide	40983	PA	23-2612951	Harleysville Pennland Insurance Company
0140	Nationwide	35696	PA	23-2384978	Harleysville Preferred Insurance Company
0140	Nationwide	26182	PA	04-1989660	Harleysville Worcester 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	13999	VT	27-1712056	Olentangy Reinsurance, LLC
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
4664	PURE	12873	FL	20-8287105	Privilege Underwriters Reciprocal Exchange
4664	PURE	13204	FL	26-3109178	PURE Insurance Company

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE SCOTTSDALE INSURANCE COMPANY
OVERFLOW PAGE FOR WRITE-INS

Additional Write-ins for Assets Line 25

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
2504. Funds Held Equity Pools & Associations	6,549,904		6,549,904	
2505. Deposits and prepaid assets	4,763,123	4,763,123		
2506. Other assets nonadmitted	5,215,950	5,215,950		
2597. Summary of remaining write-ins for Line 25 from overflow page	16,528,977	9,979,073	6,549,904	

Additional Write-ins for Liabilities Line 25

	1 Current Year	2 Prior Year
2504. Miscellaneous liabilities	168,944	152,911
2505. Funds held equity pools & associations		717
2506. Escrow Liability	788,054	
2507. State surcharge/recoupment payable	351,320	
2508. Pooling expense payable		791,957
2597. Summary of remaining write-ins for Line 25 from overflow page	1,308,318	945,585

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		140,194		140,194
2497. Summary of remaining write-ins for Line 24 from overflow page		140,194		140,194

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			2,039,163	2,106,848
5805. Canada/Govt/Bd CDNS	B	Reinsurance			257,061	285,677
5806. Hydro-Quebec MT Nt Govt Gtd CDN	B	Reinsurance			245,319	278,575
5897. Summary of remaining write-ins for Line 58 from overflow page	XXX	XXX			2,541,543	2,671,100

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