

**The Company is amending its 2012 Annual Statement filing to appropriately present, as a correction of an error, the effect of its calculation change during 2012 of its Survivorship Universal Life no lapse guarantee reserves on policies inforce as of December 31, 2011 as an aggregate write-in for gains and losses in surplus in the capital and surplus account rollforward rather than through net income.**



LIFE AND ACCIDENT AND HEALTH COMPANIES - ASSOCIATION EDITION

ANNUAL STATEMENT

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

Nationwide Life and Annuity Insurance Company

NAIC Group Code 0140 (Current) 0140 (Prior) NAIC Company Code 92657 Employer's ID Number 31-1000740

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

Country of Domicile United States of America

Incorporated/Organized 02/09/1981 Commenced Business 05/06/1981

Statutory Home Office One West Nationwide Blvd., Columbus, OH, US 43215-2220

Main Administrative Office One West Nationwide Blvd., Columbus, OH, US 43215-2220

Mail Address One West Nationwide Blvd., 1-04-701 Columbus, OH, US 43215-2220

Primary Location of Books and Records One West Nationwide Blvd., 1-04-701 Columbus, OH, US 43215-2220

Internet Website Address www.nationwide.com

Statutory Statement Contact Ronald S. Porter, 614-249-1545
statacct@nationwide.com, 877-669-5908

OFFICERS

President & COO Kirt Alan Walker Sr VP & Treasurer David Patrick LaPaul
VP - Corp Governance & Secretary Robert William Horner III VP - NF Chief Actuary Steven Andrew Ginnan

OTHER

List of other officers including Anne Louise Arvia, James David Benson, Wesley Kim Austen, David Alan Bano, etc.

DIRECTORS OR TRUSTEES

Timothy Gerard Frommeyer, Eric Shawn Henderson #, Stephen Scott Rasmussen, Mark Raymond Thresher, Kirt Alan Walker

State of Ohio County of Franklin SS:

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

Signatures of Kirt Alan Walker, Robert William Horner, III, and David Patrick LaPaul with their respective titles.

Subscribed and sworn to before me this 28 day of JANUARY, 2013 Jeffrey W. Cloud

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.....



Jeffrey W. Cloud Notary Public, State of Ohio My Commission Expires 09-29-2016

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NATIONWIDE LIFE AND ANNUITY 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) .....	4,294,688,883		4,294,688,883	3,521,403,560
2. Stocks (Schedule D):				
2.1 Preferred stocks .....				
2.2 Common stocks .....	73,973		73,973	315,532
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....	524,001,761		524,001,761	485,218,173
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 (\$ .....				
(833,310), Schedule E - Part 1), cash equivalents				
(\$ .....				
, Schedule E - Part 2) and short-term				
investments (\$ .....	27,974,634		27,974,634	31,394,210
28,807,944, Schedule DA) .....				
6. Contract loans (including \$ .....	30,635,222	18,091	30,617,131	26,515,957
premium notes) .....				
7. Derivatives (Schedule DB) .....				2,240
8. Other invested assets (Schedule BA) .....				
9. Receivables for securities .....				85,658
10. Securities lending reinvested collateral assets (Schedule DL) .....	4,858,446		4,858,446	18,480,416
11. Aggregate write-ins for invested assets .....				
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	4,882,232,919	18,091	4,882,214,828	4,083,415,746
13. Title plants less \$ .....				
charged off (for Title insurers				
only) .....				
14. Investment income due and accrued .....	54,766,171		54,766,171	47,934,080
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....	5,248,902	3,564,178	1,684,724	1,478,028
15.2 Deferred premiums and agents' balances and installments booked but				
deferred and not yet due (including \$ .....				
earned but unbilled premiums) .....	19,667,133		19,667,133	14,120,176
15.3 Accrued retrospective premiums .....				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....	9,898,905		9,898,905	1,622,911
16.2 Funds held by or deposited with reinsured companies .....				
16.3 Other amounts receivable under reinsurance contracts .....	28,362,688		28,362,688	11,258,377
17. Amounts receivable relating to uninsured plans .....				
18.1 Current federal and foreign income tax recoverable and interest thereon .....	27,438,102		27,438,102	7,740,764
18.2 Net deferred tax asset .....	125,674,477	117,690,065	7,984,412	4,146,233
19. Guaranty funds receivable or on deposit .....	279,421		279,421	140,132
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 .....	12,828,805		12,828,805	8,738,919
24. Health care (\$ .....				
) and other amounts receivable .....				
25. Aggregate write-ins for other than invested assets .....	24,192,520	1,603,158	22,589,362	18,313,686
26. Total assets excluding Separate Accounts, Segregated Accounts and				
Protected Cell Accounts (Lines 12 to 25) .....	5,190,590,043	122,875,492	5,067,714,551	4,198,909,052
27. From Separate Accounts, Segregated Accounts and Protected Cell				
Accounts .....	1,175,606,403		1,175,606,403	1,158,496,923
28. Total (Lines 26 and 27) .....	6,366,196,446	122,875,492	6,243,320,954	5,357,405,975
<b>DETAILS OF WRITE-INS</b>				
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. Accrued Fees and Other Assets .....	22,640,396	51,034	22,589,362	18,313,686
2502. Deferred Software Costs .....	1,552,124	1,552,124		
2503. ....				
2598. Summary of remaining write-ins for Line 25 from overflow page .....				
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) .....	24,192,520	1,603,158	22,589,362	18,313,686

## SUMMARY OF OPERATIONS

	1 Current Year	2 Prior Year
1. Premiums and annuity considerations for life and accident and health contracts (Exhibit 1, Part 1, Line 20.4, Col. 1, less Col. 11) .....	404,588,232	337,924,147
2. Considerations for supplementary contracts with life contingencies .....	831,491	1,050,623
3. Net investment income (Exhibit of Net Investment Income, Line 17) .....	222,393,208	209,475,638
4. Amortization of interest maintenance reserve (IMR, Line 5) .....	1,181,152	2,068,099
5. Separate Accounts net gain from operations excluding unrealized gains or losses .....		
6. Commissions and expense allowances on reinsurance ceded (Exhibit 1, Part 2, Line 26.1, Col. 1) .....	56,992,499	31,902,447
7. Reserve adjustments on reinsurance ceded .....	389,746,276	(204,071,720)
8. Miscellaneous Income:		
8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts .....	50,281,590	47,655,263
8.2 Charges and fees for deposit-type contracts .....		
8.3 Aggregate write-ins for miscellaneous income .....	21,702,852	15,036,037
9. Total (Lines 1 to 8.3) .....	1,147,717,300	441,040,534
10. Death benefits .....	28,483,526	23,789,616
11. Matured endowments (excluding guaranteed annual pure endowments) .....	23,178	41,509
12. Annuity benefits (Exhibit 8, Part 2, Line 6.4, Cols. 4 + 8) .....	139,369,466	189,986,024
13. Disability benefits and benefits under accident and health contracts .....	110,933	89,102
14. Coupons, guaranteed annual pure endowments and similar benefits .....		
15. Surrender benefits and withdrawals for life contracts .....	57,949,557	33,478,649
16. Group conversions .....		
17. Interest and adjustments on contract or deposit-type contract funds .....	2,015,976	(6,781,720)
18. Payments on supplementary contracts with life contingencies .....	1,408,952	1,393,590
19. Increase in aggregate reserves for life and accident and health contracts .....	796,023,241	155,552,127
20. Totals (Lines 10 to 19) .....	1,025,384,829	397,548,897
21. Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only) (Exhibit 1, Part 2, Line 31, Col. 1) .....	116,125,824	88,981,603
22. Commissions and expense allowances on reinsurance assumed (Exhibit 1, Part 2, Line 26.2, Col. 1) .....	17,206	18,867
23. General insurance expenses (Exhibit 2, Line 10, Cols. 1, 2, 3 and 4) .....	127,723,436	98,187,520
24. Insurance taxes, licenses and fees, excluding federal income taxes (Exhibit 3, Line 7, Cols. 1 + 2 + 3) .....	13,025,155	11,138,013
25. Increase in loading on deferred and uncollected premiums .....	1,909,894	2,733,533
26. Net transfers to or (from) Separate Accounts net of reinsurance .....	(80,463,503)	(101,687,402)
27. Aggregate write-ins for deductions .....	16,623,427	13,294,075
28. Totals (Lines 20 to 27) .....	1,220,346,268	510,215,106
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28) .....	(72,628,968)	(69,174,572)
30. Dividends to policyholders .....	971,461	1,047,336
31. Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30) .....	(73,600,429)	(70,221,908)
32. Federal and foreign income taxes incurred (excluding tax on capital gains) .....	(23,819,622)	(23,756,275)
33. Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32) .....	(49,780,807)	(46,465,633)
34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$ .....1,720,452 (excluding taxes of \$ .....384,416 transferred to the IMR) .....	(4,330,741)	(14,768,863)
35. Net income (Line 33 plus Line 34) .....	(54,111,548)	(61,234,496)
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
36. Capital and surplus, December 31, prior year (Page 3, Line 38, Col. 2) .....	302,454,584	287,212,448
37. Net income (Line 35) .....	(54,111,548)	(61,234,496)
38. Change in net unrealized capital gains (losses) less capital gains tax of \$ .....1,797,052 .....	3,566,067	(2,781,942)
39. Change in net unrealized foreign exchange capital gain (loss) .....	89	273
40. Change in net deferred income tax .....	14,381,273	15,877,315
41. Change in nonadmitted assets .....	(19,374,974)	(26,441,667)
42. Change in liability for reinsurance in unauthorized and certified companies .....		420,106
43. Change in reserve on account of change in valuation basis, (increase) or decrease (Exh. 5A, Line 9999999, Col. 4) .....		
44. Change in asset valuation reserve .....	(8,195,636)	(4,694,201)
45. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Col. 2 minus Col. 1) .....		
46. Surplus (contributed to) withdrawn from Separate Accounts during period .....		
47. Other changes in surplus in Separate Accounts Statement .....		
48. Change in surplus notes .....		
49. Cumulative effect of changes in accounting principles .....	8,292,466	
50. Capital changes:		
50.1 Paid in .....		
50.2 Transferred from surplus (Stock Dividend) .....		
50.3 Transferred to surplus .....		
51. Surplus adjustment:		
51.1 Paid in .....	81,000,000	100,000,000
51.2 Transferred to capital (Stock Dividend) .....		
51.3 Transferred from capital .....		
51.4 Change in surplus as a result of reinsurance .....		
52. Dividends to stockholders .....		
53. Aggregate write-ins for gains and losses in surplus .....	(17,017,175)	(5,903,252)
54. Net change in capital and surplus for the year (Lines 37 through 53) .....	8,540,562	15,242,136
55. Capital and surplus, December 31, current year (Lines 36 + 54) (Page 3, Line 38) .....	310,995,146	302,454,584
<b>DETAILS OF WRITE-INS</b>		
08.301. Miscellaneous Income .....	21,702,852	15,036,037
08.302. ....		
08.303. ....		
08.398. Summary of remaining write-ins for Line 8.3 from overflow page .....		
08.399. Totals (Lines 08.301 thru 08.303 plus 08.398)(Line 8.3 above) .....	21,702,852	15,036,037
2701. Net investment earnings on funds withheld by ceding company .....	16,623,427	13,294,075
2702. ....		
2703. ....		
2798. Summary of remaining write-ins for Line 27 from overflow page .....		
2799. Totals (Lines 2701 thru 2703 plus 2798)(Line 27 above) .....	16,623,427	13,294,075
5301. Adjustment to initial reinsurance, commission and expense allowance .....	(5,903,252)	(5,903,252)
5302. Survivorship universal life reserve correction .....	(11,113,923)	
5303. ....		
5398. Summary of remaining write-ins for Line 53 from overflow page .....		
5399. Totals (Lines 5301 thru 5303 plus 5398)(Line 53 above) .....	(17,017,175)	(5,903,252)

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NATIONWIDE LIFE AND ANNUITY INSURANCE COMPANY

**CASH FLOW**

	1	2
	Current Year	Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance .....	395,962,818	331,230,985
2. Net investment income .....	226,457,618	211,570,294
3. Miscellaneous income .....	129,409,964	92,531,430
4. Total (Lines 1 through 3) .....	751,830,400	635,332,709
5. Benefit and loss related payments .....	(196,932,923)	472,579,569
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....	(69,375,239)	(94,696,610)
7. Commissions, expenses paid and aggregate write-ins for deductions .....	292,166,455	193,442,600
8. Dividends paid to policyholders .....	1,037,329	1,024,519
9. Federal and foreign income taxes paid (recovered) net of \$ ..... 2,104,868 tax on capital gains (losses) .....	(10,309,882)	(41,763,741)
10. Total (Lines 5 through 9) .....	16,585,740	530,586,337
11. Net cash from operations (Line 4 minus Line 10) .....	735,244,660	104,746,372
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	477,977,163	466,005,513
12.2 Stocks .....	227,659	199,980
12.3 Mortgage loans .....	107,251,142	153,004,936
12.4 Real estate .....		
12.5 Other invested assets .....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....		
12.7 Miscellaneous proceeds .....	16,971,935	87,901,458
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	602,427,899	707,111,887
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	1,259,107,710	777,797,665
13.2 Stocks .....		198,648
13.3 Mortgage loans .....	144,925,332	88,326,631
13.4 Real estate .....		
13.5 Other invested assets .....		
13.6 Miscellaneous applications .....	3,653,458	
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	1,407,686,500	866,322,944
14. Net increase (decrease) in contract loans and premium notes .....	4,085,344	3,186,799
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	(809,343,945)	(162,397,856)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....		
16.2 Capital and paid in surplus, less treasury stock .....	81,000,000	100,000,000
16.3 Borrowed funds .....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....	(25,105)	(1,244,144)
16.5 Dividends to stockholders .....		
16.6 Other cash provided (applied) .....	(10,295,186)	(78,793,204)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	70,679,709	19,962,652
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	(3,419,576)	(37,688,832)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year .....	31,394,210	69,083,041
19.2 End of year (Line 18 plus Line 19.1) .....	27,974,634	31,394,210

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

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**ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NATIONWIDE LIFE AND ANNUITY INSURANCE COMPANY**  
**ANALYSIS OF OPERATIONS BY LINES OF BUSINESS**

	1 Total	2 Industrial Life	3 Ordinary			6 Credit Life (Group and Individual)	7 Group		9 Accident and Health			12 Aggregate of All Other Lines of Business
			3 Life Insurance	4 Individual Annuities	5 Supplementary Contracts		7 Life Insurance (a)	8 Annuities	9 Group	10 Credit (Group and Individual)	11 Other	
1. Premiums and annuity considerations for life and accident and health contracts	404,588,232		392,204,769	11,111,796				1,267,102	3,635		930	
2. Considerations for supplementary contracts with life contingencies	831,491				831,491							
3. Net investment income	222,393,207		78,257,886	128,299,635	741,500		(3,349)	2,202				15,095,333
4. Amortization of Interest Maintenance Reserve (IMR)	1,181,152		669,864	95,248	27,917		.75					388,048
5. Separate Accounts net gain from operations excluding unrealized gains or losses												
6. Commissions and expense allowances on reinsurance ceded	56,992,499		16,116,457	40,865,736				10,306				
7. Reserve adjustments on reinsurance ceded	389,746,276		411,658	390,388,123				(1,053,505)				
8. Miscellaneous Income:												
8.1 Fees associated with income from investment management, administration and contract guarantees from Separate Accounts	50,281,590		41,360,743	6,652,632				2,268,215				
8.2 Charges and fees for deposit-type contracts												
8.3 Aggregate write-ins for miscellaneous income	21,702,851		21,424,380	215,975				62,496				
9. Totals (Lines 1 to 8.3)	1,147,717,298		550,445,757	577,629,145	1,600,908		(3,274)	2,556,816	3,635		930	15,483,381
10. Death benefits	28,483,526		28,508,276				(24,750)					
11. Matured endowments (excluding guaranteed annual pure endowments)	23,178		23,178									
12. Annuity benefits	139,369,466			100,794,366				38,575,100				
13. Disability benefits and benefits under accident and health contracts	110,933		108,233								2,700	
14. Coupons, guaranteed annual pure endowments and similar benefits												
15. Surrender benefits and withdrawals for life contracts	57,949,557		57,949,557									
16. Group conversions			(191,557)				191,557					
17. Interest and adjustments on contract or deposit-type contract funds	2,015,976		1,100,447	97,432	818,800		(703)					
18. Payments on supplementary contracts with life contingencies	1,408,952				1,408,952							
19. Increase in aggregate reserves for life and accident and health contracts	796,023,241		297,563,517	501,152,991	(733,182)			(1,960,085)				
20. Totals (Lines 10 to 19)	1,025,384,829		385,061,651	602,044,789	1,494,570		166,104	36,615,015			2,700	
21. Commissions on premiums, annuity considerations and deposit-type contract funds (direct business only)	116,125,824		93,185,512	22,868,981				71,295	17		19	
22. Commissions and expense allowances on reinsurance assumed	17,206			17,206								
23. General insurance expenses	127,723,436		115,877,961	11,437,390	52,953		12,779	342,353				
24. Insurance taxes, licenses and fees, excluding federal income taxes	13,025,154		11,672,019	1,340,655			9,810	2,608	62			
25. Increase in loading on deferred and uncollected premiums	1,909,894		1,909,894									
26. Net transfers to or (from) Separate Accounts net of reinsurance	(80,463,503)		33,573,051	(78,051,188)				(35,985,366)				
27. Aggregate write-ins for deductions	16,623,427		16,623,427									
28. Totals (Lines 20 to 27)	1,220,346,267		657,903,515	559,657,833	1,547,523		188,693	1,045,905	79		2,719	
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28)	(72,628,969)		(107,457,758)	17,971,312	53,385		(191,967)	1,510,911	3,556		(1,789)	15,483,381
30. Dividends to policyholders	971,461		971,461									
31. Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30)	(73,600,430)		(108,429,219)	17,971,312	53,385		(191,967)	1,510,911	3,556		(1,789)	15,483,381
32. Federal income taxes incurred (excluding tax on capital gains)	(23,819,622)		(27,754,894)	(1,600,199)	(2,858)		(67,197)	520,958	1,238		(654)	5,083,984
33. Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32)	(49,780,808)		(80,674,325)	19,571,511	56,243		(124,770)	989,953	2,318		(1,135)	10,399,397
<b>DETAILS OF WRITE-INS</b>												
08.301. Miscellaneous Income	21,702,851		21,424,380	215,975				62,496				
08.302.												
08.303.												
08.398. Summary of remaining write-ins for Line 8.3 from overflow page												
08.399. Totals (Lines 08.301 thru 08.303 plus 08.398) (Line 8.3 above)	21,702,851		21,424,380	215,975				62,496				
2701. Net investment earnings on funds withheld	16,623,427		16,623,427									
2702.												
2703.												
2798. Summary of remaining write-ins for Line 27 from overflow page												
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above)	16,623,427		16,623,427									

(a) Includes the following amounts for FEGLI/SGLI: Line 1 \_\_\_\_\_, Line 10 \_\_\_\_\_, Line 16 \_\_\_\_\_, Line 23 \_\_\_\_\_, Line 24 \_\_\_\_\_

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NATIONWIDE LIFE AND ANNUITY 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 .....	18,091	33,921	15,830
7. Derivatives (Schedule DB) .....			
8. Other invested assets (Schedule BA) .....			
9. Receivables for securities .....			
10. Securities lending reinvested collateral assets (Schedule DL) .....			
11. Aggregate write-ins for invested assets .....			
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	18,091	33,921	15,830
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 .....	3,564,178	1,716,452	(1,847,726)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due .....			
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 .....	117,690,065	108,944,023	(8,746,042)
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 .....			
24. Health care and other amounts receivable .....			
25. Aggregate write-ins for other than invested assets .....	1,603,158	1,098,588	(504,570)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	122,875,492	111,792,984	(11,082,508)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			
28. Total (Lines 26 and 27) .....	122,875,492	111,792,984	(11,082,508)
<b>DETAILS OF WRITE-INS</b>			
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. Accrued Fees and Other Assets .....	51,034	69,933	18,899
2502. Deffered Software Costs .....	1,552,124	1,028,655	(523,469)
2503. ....			
2598. Summary of remaining write-ins for Line 25 from overflow page .....			
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	1,603,158	1,098,588	(504,570)

NOTES TO FINANCIAL STATEMENTS

## (1) Summary of Significant Accounting Policies

## A. Accounting Practices

The accompanying statutory financial statements of Nationwide Life and Annuity Insurance Company (NLAIC or 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 Department of Insurance (Department) recognizes only statutory accounting practices (SAP) prescribed or permitted by the Department 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' *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.

A reconciliation of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Ohio is shown below:

	State of Domicile	2012	2011
<u>Net Income</u>			
Net Income, Ohio basis	OH	\$ (54,111,548)	\$ (61,234,496)
Ohio Prescribed Practices: NONE	OH	-	-
Ohio Permitted Practices: NONE	OH	-	-
Net Income, NAIC SAP	OH	<u>\$ (54,111,548)</u>	<u>\$ (61,234,496)</u>
<u>Surplus</u>			
Statutory Capital and Surplus, Ohio basis	OH	\$ 310,995,146	\$ 302,454,584
Ohio Prescribed Practices: NONE	OH	-	-
Ohio Permitted Practices: NONE	OH	-	-
Statutory Capital and Surplus, NAIC SAP	OH	<u>\$ 310,995,146</u>	<u>\$ 302,454,584</u>

The amounts in this statement pertain to the entire Company business including, as appropriate, its Separate Account business.

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

In preparing the financial statements in conformity with the Annual Statement Instructions and NAIC SAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ significantly from those estimates.

## C. Accounting Policies

Life insurance premiums are recognized as revenue over the premium paying period of the related policies. Annuity considerations are recognized as revenue when received. Policy benefits and claims that are expensed include interest credited to policy account balances and benefits and claims incurred in the period in excess of related policy reserves. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred.

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 an NAIC designation of "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 reported at fair value.
- (4) Preferred stocks are stated at amortized cost, except those with an NAIC designation of "4" 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 and 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 (SSAP) 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. Refer to Note 5(D) for a discussion of the other-than-temporary impairment policy for loan-backed securities.
- (7) The investment in the Company's wholly-owned subsidiary, Olentangy Reinsurance, LLC (Olentangy), is carried at the value of its underlying audited statutory surplus, adjusted to exclude the amount of total statutory surplus represented by the surplus notes issued by Olentangy to Nationwide Corporation. As of December 31, 2012, the Company's proportionate share calculation under this method resulted in a negative amount, and therefore, the Company, in accordance with statutory guidance, discontinued its use of this method and reported its investment in Olentangy at zero in Schedule BA.

- (8) Refer to Note (1) C. (7) above for accounting for the Company's investment in a limited liability company, which is a wholly-owned subsidiary.
- (9) Refer to Note 8 for the derivative accounting policy.
- (10) The Company anticipates investment income as a factor in the premium deficiency calculation.
- (11) The Company no longer issues any health policies and due to the small size of the Company's health in force block, the Company no longer holds any liabilities for the health business. Each year's claims are paid from current year premiums.
- (12) The Company has not modified its capitalization policy from the prior period.
- (13) Not Applicable – The Company does not have any pharmaceutical rebate receivables.

(2) Accounting Changes and Corrections of Errors

- A. On January 1, 2012, the Company adopted a new standard, SSAP No. 101, *Income Taxes*, which supersedes SSAP No. 10R, *Income Taxes Revised – A Temporary Replacement of SSAP No. 10*. The standard applies a 'more likely than not' threshold for the recognition of federal and foreign tax loss contingencies and establishes a new framework for determining the admissibility of deferred tax assets (DTA). The framework sets a three year limit on loss carryback provisions, introduces guardrails for determining the realization period and percentage of capital and surplus companies may use to determine DTA admissibility, and establishes parameters around offsetting DTAs against deferred tax liabilities (DTL) as it relates to the admissibility of a DTA. The standard also adopts new disclosure requirements related to tax planning strategies, the amounts and components used to determine admissible DTA amounts, and information about reasonably possible increases in the total liability for any federal or foreign income tax loss contingencies within twelve months of the reporting date. The cumulative effect of this change in accounting principle resulted in an increase of \$8292,466 to Capital and Surplus. Refer to Note 9 for the required disclosures.

On January 1, 2012, the Company adopted revisions to SSAP No. 100, *Fair Value Measurements*. These revisions require financial instruments that are disclosed but not reported at fair value to be identified as level 1, 2, or 3 fair value measurements. The revised guidance also requires disclosure of the method used to obtain the fair value for all financial instruments with fair value measurements and the gross presentation of purchases, sales, issues, and settlements within the level 3 rollforward. There was no impact to the financial statements of the Company upon adoption. Refer to Note 20 for the required disclosures.

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

On December 31, 2011, the Company adopted revisions within Statement of Statutory Accounting Principles (SSAP) No. 43R, *Loan-backed and Structured Securities*. These revisions incorporate the most recent reporting and designation guidance prescribed by the Valuation of Securities Task Force for modeled, modeling-exempt, and all other types of loan-backed and structured securities. The adoption of the revised guidance resulted in an immaterial impact to the financial statements of the Company. Refer to Note 5(D) for the required disclosures.

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(D) for required disclosures and financial impact.

On January 1, 2011, the Company adopted revisions to SSAP No. 51, *Life Contracts*, SSAP No. 52, *Deposit Type Contracts*, and SSAP No. 61, *Life, Deposit-Type and Accident and Health Reinsurance*, which expanded the breakdown of withdrawal disclosures by characteristic for annuity contracts, deposit-type contracts, and reinsurance contracts under the scope of these three standards. The revised breakdown requires separate disclosure categories for the general account, the separate account with guarantees, the separate account nonguaranteed, and the total. Refer to Note 32 to view the expanded disclosures.

*Pending Accounting Standards*

On January 1, 2013, the Company will adopt 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.

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. As the provisions of this guidance are applied prospectively, there will be no impact to the financial statements of the Company upon adoption.

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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.

*Correction of Error*

During 2012, the Company changed its calculation of its Survivorship Universal Life no lapse guarantee product (“SUL”) statutory reserves from being modeled as single life policies to being modeled as second-to-die policies due to third-party system enhancements becoming available. The Company reported the inception-to-date change related to the SUL policies in force as of December 31, 2011, an increase in reserves of \$15,959,454 with a related tax benefit of \$4,845,531, in aggregate write-ins for gains and losses in surplus in the capital and surplus account rollforward as it was deemed a correction of an error.

- (3) Business Combinations and Goodwill
  - A. Statutory Purchase Method - Not Applicable.
  - B. Statutory Merger - Not Applicable.
  - C. Assumption Reinsurance - Not Applicable.
  - D. Impairment Loss - Not applicable.

(4) Discontinued Operations - None.

(5) Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

(1) The maximum and minimum lending rates for mortgage loans issued during 2012 were:

<u>Residential</u>	<u>Commercial</u>
Not Applicable	5.31% and 3.63%

(2) During 2012, the Company did not reduce interest rates of outstanding mortgage loans.

(3) The maximum percentage of any one loan to the value of security at the time of the loan, exclusive of insured or guaranteed or purchase money mortgages was 85.2%.

	12/31/2012	12/31/2011
(4) As of period 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	\$ -	\$ -
(6) Current year impaired loans with a related allowance for credit losses:	\$ 3,029,325	\$ 5,473,171
a. Related allowance for credit losses	\$ 853,139	\$ 1,138,573
(7) Impaired mortgage loans without an allowance for credit losses	\$ -	\$ -
(8) Average recorded investment in impaired loans	\$ 3,255,392	\$ 17,723,137
(9) Interest income recognized during the period the loans were impaired	\$ 467,477	\$ 1,868,290
(10) Amount of interest income recognized on a cash basis during the period the loans were impaired	\$ 490,618	\$ 2,037,156
(11) Allowance for credit losses:		
a. Balance at beginning of period	\$ 4,485,893	\$ 13,155,251
b. Additions charged to operations	209,874	3,602,337
c. Direct write-downs charged against the allowances	(429,641)	(8,575,870)
d. Recoveries of amounts previously charged off	(495,308)	(3,695,825)
e. Balance at end of period	\$ 3,770,818	\$ 4,485,893

(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.

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B. Debt Restructuring

	12/31/2012	12/31/2011
(1) The total recorded investment in restructured loans, as of year end	\$ 265,093	\$ 279,987
(2) The realized capital losses related to these loans	\$ 506,329	\$ 506,329
(3) Total contractual commitments to extend credit to debtors owning 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 - None

D. Loan-Backed Securities

- (1) Prepayment assumptions are generally obtained using a model provided by a third-party vendor.
- (2) None
- (3) The following table summarizes other-than-temporary impairments for loan-backed securities held at the end of the year based on the fact that the present value of projected cash flows expected to be collected was less than the amortized cost basis of the securities:

As of December 31, 2012

CUSIP	Book/Adjusted Carrying Value Amortized Cost Before Current Period OTTI	Present value of projected cash flows	Recognized other-than- temporary impairment	Amortized cost after other-than- temporary impairment	Fair value at time of OTTI	Date of Financial Statement where reported
52518RCD6	\$ 1,450,253	\$ 987,388	\$ 462,865	\$ 987,388	\$ 301,067	Q4'12
7609855D9	1,485,829	1,259,161	226,668	1,259,161	558,625	Q2'12
126694E95	9,853,433	8,352,739	1,500,695	8,352,739	5,850,267	Q1 '12
12668BRZ8	2,472,164	2,423,346	48,818	2,423,346	1,953,744	Q4' 11
74041EAC9	48,358	0	48,358	0	(0)	Q4' 11
02149HAW0	8,745,168	8,379,966	365,203	8,379,966	6,987,843	Q2' 11
74041EAC9	89,817	20,515	69,302	20,515	(0)	Q2' 11
74922PAC8	1,990,284	1,568,611	421,673	1,568,611	1,212,905	Q1' 11
74041EAC9	3,433,552	62,121	3,371,431	62,121	10,892	Q4' 10
74041EAC9	4,178,095	3,419,913	758,182	3,419,913	142,385	Q3 '10
74922PAC8	2,340,926	2,237,051	103,875	2,237,051	1,318,170	Q3 '10
05948KXQ7	3,015,268	2,945,672	69,595	2,945,672	2,274,464	Q1 '10
05948KXS3	2,829,152	2,718,554	110,598	2,718,554	2,149,306	Q1 '10
12667F4S1	18,341,063	17,652,478	688,585	17,652,478	14,241,208	Q1 '10
126694E95	14,425,480	12,301,697	2,123,783	12,301,697	8,252,331	Q1 '10
251510FX6	3,230,288	3,083,434	146,854	3,083,434	2,488,815	Q1 '10
76114HAK1	607,417	578,973	28,444	578,973	466,505	Q1 '10
126694E95	14,981,216	14,835,710	145,506	14,835,710	6,146,155	Q4 '09
05948KXQ7	3,043,017	3,023,864	19,153	3,023,864	2,203,407	Q3 '09
12667F4S1	18,508,243	18,349,059	159,184	18,349,059	12,815,230	Q3 '09
126694E95	16,243,228	15,379,466	863,762	15,379,466	6,010,962	Q3 '09
74922PAC8	3,102,671	2,863,720	238,952	2,863,720	1,315,039	Q3 '09
02149HAW0	4,945,858	8,861,656	(3,915,798)	8,861,656	7,081,145	Q3 '09
105667AB5	5,066,940	5,004,122	62,817	5,004,122	5,564,420	Q3 '09
126673DQ2	1,440,352	2,747,807	(1,307,455)	2,747,807	1,246,651	Q3 '09
12668BRZ8	1,085,694	2,626,800	(1,541,106)	2,626,800	2,121,234	Q3 '09
149837AA4	3,873,077	2,574,063	1,299,014	2,574,063	2,590,923	Q3 '09
251510FX6	2,447,033	3,290,471	(843,439)	3,290,471	2,349,192	Q3 '09
76114HAK1	405,610	666,813	(261,203)	666,813	543,976	Q3 '09
Total			<u>\$ 5,464,316</u>			

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- (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):

As of December 31, 2012

- a. The aggregate amount of unrealized losses:

1. Less than 12 Months	\$ (526,723)
2. 12 Months or Longer	\$ (23,156,797)

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

1. Less than 12 Months	\$ 14,050,537
2. 12 Months or Longer	\$ 132,730,939

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

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

E. Repurchase Agreements and/or 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

1. Repurchase Agreement - Not Applicable

2. Securities Lending

(a)	Open	\$ 4,857,869
(b)	30 Days or Less	-
(c)	31 to 60 Days	-
(d)	61 to 90 Days	-
(e)	Greater than 90 Days	-
(f)	Sub-Total	\$ 4,857,869
(g)	Securities Received	-
(h)	Total Collateral Received	\$ 4,857,869

3. Dollar Repurchase Agreement - Not Applicable

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

\$ 4,858,446

- 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.

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NATIONWIDE LIFE AND ANNUITY INSURANCE COMPANY

(5) Collateral Reinvestment

a. Aggregate Amount Cash Collateral Reinvested

1. Repurchase Agreement - Not Applicable

		<u>Amortized</u>	<u>Fair</u>
		<u>Cost</u>	<u>Value</u>
2. Securities Lending			
(a)	Open	\$ -	\$ -
(b)	30 Days or Less	4,858,446	4,858,446
(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)	Sub-Total	<u>\$ 4,858,446</u>	<u>\$ 4,858,446</u>
(l)	Securities Received	-	-
(m)	Total Collateral Reinvested	<u><u>\$ 4,858,446</u></u>	<u><u>\$ 4,858,446</u></u>

3. Dollar Repurchase Agreement - Not applicable

- 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.

G. Low-Income Housing Tax Credits (LIHTC) – Not Applicable.

(6) Joint Ventures, Partnerships, and Limited Liability Companies

A. The Company has no investments in Joint Ventures, Partnerships, and Limited Liability Companies that exceed 10% of its total admitted assets.

B. Not Applicable.

(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

There was no investment income due and accrued nonadmitted as of December 31, 2012.

## (8) Derivative Instruments

- A. The Company is exposed to certain risks relating to its ongoing business operations which are managed using derivative instruments. The primary risks managed by using derivative instruments are foreign currency and interest rate risks. The Company uses cross currency swaps and interest rate swaps to hedge these risks.

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

The cash requirements of a derivative will vary by contract. In a cross currency swap, notional amounts are typically exchanged in the respective contracted currencies at both settlement date and at expiration. Interest payments are also exchanged in the contracted currencies, timing and amounts. Interest rate swap payments are based on the notional of the contract; the fixed and floating leg payments are netted and exchanged periodically with the appropriate counterparty.

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

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

- C. Periodic cash flows and accruals of income/expense are reported in a manner consistent with the hedged item, generally as other investment income. Realized gains and losses on commitment and anticipatory hedges are used to adjust the basis of the hedged item and are therefore amortized into investment income over the remaining life of the hedged item.

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

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

- D. No gain or loss recognized in derivative instruments' unrealized gains or losses during the year were excluded from the assessment of hedge effectiveness.
- E. There is also no net gain or loss recognized during the year resulting from derivatives that no longer qualify for hedge accounting.
- F. (1) In addition, no amounts of gains or losses were classified in unrealized gains/losses related to cash flow hedges that have been discontinued because it was no longer probable that the original forecasted transaction would occur as anticipated.
- (2) The Company is not currently engaged in written covered options used for income generation or derivatives accounted for as cash flow hedges of a forecasted transaction, other than the payment of variable interest on existing financial instruments.

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NATIONWIDE LIFE AND ANNUITY INSURANCE COMPANY

(9) Income Taxes

A. The net deferred tax asset (liability) as of December 31, 2012 and the change from prior year are comprised of the following components:

	12/31/2012		
	Ordinary	Capital	Total
(1a) Gross deferred tax assets	\$ 130,181,451	\$ 13,171,824	\$ 143,353,275
(1b) Statutory valuation allowance adjustment	\$ -	\$ -	\$ -
(1c) Adjusted gross deferred tax assets	\$ 130,181,451	\$ 13,171,824	\$ 143,353,275
(1d) Deferred tax assets nonadmitted	\$ 114,692,147	\$ 3,738,196	\$ 118,430,343
(1e) Subtotal net admitted deferred tax asset	\$ 15,489,304	\$ 9,433,628	\$ 24,922,932
(1f) Deferred tax liabilities	\$ 15,489,304	\$ 1,449,216	\$ 16,938,520
(1g) Net admitted deferred tax asset/(net deferred tax liability)	\$ -	\$ 7,984,412	\$ 7,984,412

  

	12/31/2011		
	Ordinary	Capital	Total
(1a) Gross deferred tax assets	\$ 97,801,838	\$ 28,975,724	\$ 126,777,562
(1b) Statutory valuation allowance adjustment	\$ -	\$ -	\$ -
(1c) Adjusted gross deferred tax assets	\$ 97,801,838	\$ 28,975,724	\$ 126,777,562
(1d) Deferred tax assets nonadmitted	\$ 84,235,512	\$ 24,708,511	\$ 108,944,023
(1e) Subtotal net admitted deferred tax asset	\$ 13,566,326	\$ 4,267,213	\$ 17,833,539
(1f) Deferred tax liabilities	\$ 13,566,326	\$ 120,980	\$ 13,687,306
(1g) Net admitted deferred tax asset/(net deferred tax liability)	\$ -	\$ 4,146,233	\$ 4,146,233

  

	Change		
	Ordinary	Capital	Total
(1a) Gross deferred tax assets	\$ 32,379,613	\$ (15,803,900)	\$ 16,575,713
(1b) Statutory valuation allowance adjustment	\$ -	\$ -	\$ -
(1c) Adjusted gross deferred tax assets	\$ 32,379,613	\$ (15,803,900)	\$ 16,575,713
(1d) Deferred tax assets nonadmitted	\$ 30,456,635	\$ (20,970,315)	\$ 9,486,320
(1e) Subtotal net admitted deferred tax asset	\$ 1,922,978	\$ 5,166,415	\$ 7,089,393
(1f) Deferred tax liabilities	\$ 1,922,978	\$ 1,328,236	\$ 3,251,214
(1g) Net admitted deferred tax asset/(net deferred tax liability)	\$ -	\$ 3,838,179	\$ 3,838,179

The deferred tax asset admission calculation components per 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 lessor of (2b)1 and (2b)2 below)	\$ -	\$ 7,984,412	\$ 7,984,412
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	\$ -	\$ 7,984,412	\$ 7,984,412
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	\$ 40,801,610
(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	\$ 15,489,304	\$ 1,449,216	\$ 16,938,520
(2d) Deferred tax assets admitted as the result of application of SSAP No. 101	\$ 15,489,304	\$ 9,433,628	\$ 24,922,932
Total ((2a) + (2b) + (2c))			

  

	12/31/2011		
	Ordinary	Capital	Total
(2a) Federal income taxes paid in prior years recoverable through loss carrybacks	\$ -	\$ 4,146,233	\$ 4,146,233
(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 lessor of (2b)1 and (2b)2 below)	\$ -	\$ -	\$ -
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	\$ -	\$ -	\$ -
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	\$ 20,481,293
(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	\$ 13,566,326	\$ 120,980	\$ 13,687,306
(2d) Deferred tax assets admitted as the result of application of SSAP No. 101	\$ 13,566,326	\$ 4,267,213	\$ 17,833,539
Total ((2a) + (2b) + (2c))			

  

	Change		
	Ordinary	Capital	Total
(2a) Federal income taxes paid in prior years recoverable through loss carrybacks	\$ -	\$ (4,146,233)	\$ (4,146,233)
(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 lessor of (2b)1 and (2b)2 below)	\$ -	\$ 7,984,412	\$ 7,984,412
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	\$ -	\$ 7,984,412	\$ 7,984,412
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	\$ 20,320,317
(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	\$ 1,922,978	\$ 1,328,236	\$ 3,251,214
(2d) Deferred tax assets admitted as the result of application of SSAP No. 101	\$ 1,922,978	\$ 5,166,415	\$ 7,089,393
Total ((2a) + (2b) + (2c))			

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NATIONWIDE LIFE AND ANNUITY INSURANCE COMPANY

	12/31/2012	12/31/2011
(3a) Ratio percentage used to determine recovery period and threshold limitation amount	758.1%	851.0%
(3b) Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in (2b)2 above	\$ 303,010,734	\$ 204,812,932

**Impact of Tax Planning Strategies**

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

  

	12/31/2011		
	Ordinary	Capital	Total
(4a) Adjusted Gross DTAs (% of total adjusted gross DTAs)	0.00%	0.00%	0.00%
(4b) Net admitted adjusted gross DTAs (% of the total net admitted adjusted gross DTAs)	0.00%	100.00%	100.00%

  

	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%	0.00%	0.00%

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

B. Regarding deferred tax liabilities that are not recognized:

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
<b>1. Current Income Tax</b>			
(a) Federal	\$ (23,819,622)	\$ (23,756,275)	\$ (63,347)
(b) Foreign	\$ -	\$ -	\$ -
(c) Subtotal	\$ (23,819,622)	\$ (23,756,275)	\$ (63,347)
(d) Federal income tax on net capital gains	\$ 2,104,868	\$ 14,934,114	\$ (12,829,246)
(e) Utilization of capital loss carry-forwards	\$ -	\$ -	\$ -
(f) Other	\$ -	\$ -	\$ -
(g) Federal and foreign income taxes incurred	\$ (21,714,754)	\$ (8,822,161)	\$ (12,892,593)
<b>2. Deferred Tax Assets</b>			
(a) Ordinary:			
(1) Discounting of unpaid losses	\$ -	\$ -	\$ -
(2) Unearned premium reserve	\$ -	\$ -	\$ -
(3) Policyholder reserves	\$ 60,286,238	\$ 46,179,321	\$ 14,106,917
(4) Investments	\$ 11,743,469	\$ 23,668	\$ 11,719,801
(5) Deferred acquisition costs	\$ 52,337,392	\$ 49,773,795	\$ 2,563,597
(6) Policyholder dividends accrual	\$ 363,137	\$ 381,850	\$ (18,713)
(7) Fixed Assets	\$ 349,042	\$ 166,206	\$ 182,836
(8) Compensation benefits accrual	\$ -	\$ -	\$ -
(9) Pension accrual	\$ 229,982	\$ 147,747	\$ 82,235
(10) Receivables - nonadmitted	\$ -	\$ 6,615	\$ (6,615)
(11) Net operating loss carry-forward	\$ -	\$ -	\$ -
(12) Tax credit carry-forward	\$ 556,247	\$ -	\$ 556,247
(13) Other (including items <5% of total ordinary tax assets)	\$ 4,315,944	\$ 1,122,636	\$ 3,193,308
(99) Subtotal	\$ 130,181,451	\$ 97,801,838	\$ 32,379,613
(b) Statutory valuation allowance adjustment	\$ -	\$ -	\$ -
(c) Nonadmitted	\$ 114,692,147	\$ 84,235,512	\$ 30,456,635
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	\$ 15,489,304	\$ 13,566,326	\$ 1,922,978
(e) Capital:			
(1) Investments	\$ 13,171,824	\$ 28,975,724	\$ (15,803,900)
(2) Net capital loss carry-forward	\$ -	\$ -	\$ -
(3) Real estate	\$ -	\$ -	\$ -
(4) Other (including items <5% of total capital tax assets)	\$ -	\$ -	\$ -
(99) Subtotal	\$ 13,171,824	\$ 28,975,724	\$ (15,803,900)
(f) Statutory valuation allowance adjustment	\$ -	\$ -	\$ -
(g) Nonadmitted	\$ 3,738,196	\$ 24,708,511	\$ (20,970,315)
(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)	\$ 9,433,628	\$ 4,267,213	\$ 5,166,415
(i) Admitted deferred tax assets (2d + 2h)	\$ 24,922,932	\$ 17,833,539	\$ 7,089,393

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NATIONWIDE LIFE AND ANNUITY INSURANCE COMPANY

3. Deferred Tax Liabilities	12/31/2012	12/31/2011	Change
(a) Ordinary:			
(1) Investments	\$ 8,016,153	\$ 8,052,960	\$ (36,807)
(2) Fixed assets	\$ -	\$ -	\$ -
(3) Deferred and uncollected premium	\$ 7,473,151	\$ 5,009,104	\$ 2,464,047
(4) Policyholder reserves	\$ -	\$ 504,262	\$ (504,262)
(5) Other (including items <5% of total ordinary tax liabilities)	\$ -	\$ -	\$ -
(99) Subtotal	<u>\$ 15,489,304</u>	<u>\$ 13,566,326</u>	<u>\$ 1,922,978</u>
(b) Capital:			
(1) Investments	\$ 1,449,216	\$ 120,980	\$ 1,328,236
(2) Real estate	\$ -	\$ -	\$ -
(3) Other (including items <5% of total capital tax liabilities)	\$ -	\$ -	\$ -
(99) Subtotal	<u>\$ 1,449,216</u>	<u>\$ 120,980</u>	<u>\$ 1,328,236</u>
(c) Deferred tax liabilities (3a99 + 3b99)	<u>\$ 16,938,520</u>	<u>\$ 13,687,306</u>	<u>\$ 3,251,214</u>
<b>4. Net deferred tax asset/(liability) (2i - 3c)</b>	<u><u>\$ 7,984,412</u></u>	<u><u>\$ 4,146,233</u></u>	<u><u>\$ 3,838,179</u></u>

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	\$ 143,353,275	\$ 126,777,562	\$ 16,575,713
(b) Total deferred tax assets (liabilities)	<u>16,938,520</u>	<u>13,687,306</u>	<u>3,251,214</u>
(c) Net deferred tax assets (liabilities)	\$ 126,414,755	\$ 113,090,256	\$ 13,324,499
(d) Tax effect of unrealized gains (losses)			(1,797,052)
(e) Prior period adjustment			<u>740,278</u>
(f) Change in deferred income tax			<u><u>\$ 14,381,273</u></u>

D. 1. The provision for federal income taxes incurred is different from that which would be obtained by applying the federal statutory 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	\$ (21,714,754)	\$ (8,822,161)
(b) Change in deferred income tax	<u>\$ (15,121,551)</u>	<u>\$ (15,877,315)</u>
(c) Total income tax reported	\$ (36,096,027)	\$ (24,699,476)
(d) Income before taxes	\$ (75,826,302)	\$ (70,172,778)
(e) Federal statutory tax rate	<u>35%</u>	<u>35%</u>
(f) Expected income tax expense (benefit) at 35% statutory rate	<u>\$ (26,539,206)</u>	<u>\$ (24,560,472)</u>
(1) Dividends received deduction	\$ (1,419,954)	\$ (1,762,264)
(2) Nondeductible expenses for meals, penalties, and lobbying	\$ 268,115	\$ 177,602
(3) Tax-exempt income	\$ (3,523)	\$ (30,990)
(4) Deferred tax benefit on nonadmitted assets	\$ (817,763)	\$ 8,574
(5) Change in tax reserves	\$ (1,008,514)	\$ (262,790)
(6) Initial ceding commission	\$ (2,066,138)	\$ (2,066,138)
(7) Tax credits	\$ (111,315)	\$ (200,000)
(8) Tax adjustment for IMR	\$ (163,533)	\$ 2,296,452
(9) Tax sharing benefit	\$ (4,434,050)	\$ 1,717,079
(10) Prior year adjustments	\$ 199,854	\$ (16,529)
(g) Total	<u>\$ (36,096,027)</u>	<u>\$ (24,699,476)</u>

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

(1) As of December 31, 2012 operating loss or tax credit carryforwards are available as follows:

	Amount	Origination	Expiration
Operating loss carryforwards	\$ -	N/A	N/A
Amount of AMT tax credits	\$ -	N/A	N/A
Foreign tax credits	\$ 93,559	2009	2019
	\$ 151,373	2010	2020
	\$ 155,658	2011	2021
	\$ 155,657	2012	2022
Business credits	\$ -	N/A	N/A

(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:

Nationwide Life Insurance Company (NLIC)  
 Olentangy Reinsurance, LLC (Olentangy)

(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 liabilities with offset for losses and credits utilized to reduce current consolidated tax liability. The Company has entered into a tax sharing agreement with its direct parent, NLIC, and its subsidiary, Olentangy, a Vermont special purpose financial captive insurance company. The agreement allocates to the Company the tax benefit of Olentangy's current net operating losses. The Company is only obligated to repay such tax benefit if the reinsurance captive is able to recognize such net operating losses as a carryover deduction on a stand-alone basis.

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.

(10) Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

The Company is a wholly-owned subsidiary of NLIC. NLIC is a wholly-owned subsidiary of Nationwide Financial Services, Inc. (NFS), incorporated in the State of Delaware, which in turn, is a wholly-owned subsidiary of Nationwide Corporation (Nationwide Corp.). Nationwide Corp. is a subsidiary of Nationwide Mutual Insurance Company (NMIC) and Nationwide Mutual Fire Insurance Company (NMFIC).

During 2012, the Company received capital contributions from its parent, NLIC of \$81,000,000 (\$100,000,000 in 2011), of which \$31,000,000, was received on February 6, 2013. Effective February, 15, 2013, the Department granted the Company approval to record the \$31,000,000 contribution as a Type I Subsequent Event in its 2012 statutory financial statements.

During 2011, the Company sold commercial mortgage loans to NMIC with a book value of \$7,967,012 plus accrued interest of \$35,212. The sales were executed at market value for cash and resulted in realized losses of \$1,572,990. In 2012, the Company did not sell commercial mortgage loans to NMIC.

The Company leases office space from NMIC and certain of its subsidiaries. For the years ended December 31, 2012 and 2011, the Company made lease payments to NMIC and its subsidiaries of approximately \$1,648,000 and \$628,000, respectively.

The Company and various affiliates entered into agreements with Nationwide Cash Management Company (NCMC), an affiliate, under which NCMC acts as a common agent in handling the purchase and sale of short-term securities for the respective accounts of the participants. Amounts on deposit with NCMC were \$28,807,944 and \$32,714,120 as of December 31, 2012 and 2011 respectively.

The Company also participates in inter-company repurchase agreements with affiliates whereby the seller transfers securities to the buyer at a stated value. Upon demand or after a stated period, the seller will repurchase the securities from the buyer at the original sales price plus interest. As of December 31, 2012 and 2011, the Company had no outstanding borrowings from affiliated entities under such agreements. During 2012 and 2011, the most the Company had outstanding at any given time was \$38,800,000 and \$15,000,000, respectively, and the Company incurred interest expense on inter-company repurchase agreements of \$7,148 and \$1,306 during 2012 and 2011, respectively. The Company believes that the terms of the repurchase agreements are materially consistent with what the Company could have obtained with unaffiliated parties.

The Company has entered into significant, recurring transactions and agreements with NMIC, other affiliates and subsidiaries as a part of its ongoing operations. These include annuity and life insurance contracts, office space leases and agreements related to reinsurance, cost sharing, administrative services, marketing, intercompany repurchases and cash management services. Measures used to allocate expenses among companies include individual employee estimates of time spent, special cost studies, the number of full-time employees, commission expense and other methods agreed to by the participating companies. In addition, Nationwide Services Company, LLC (NSC), a subsidiary of NMIC, provides data processing, systems development, hardware and software support, telephone, mail and other services to the Company, based on specified rates for units of service consumed. For the years ended December 31, 2012 and 2011, the Company made payments to NMIC and NSC totaling approximately \$33,630,000 and \$11,113,000, respectively.

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Funds of Nationwide Funds Group (NFG), an affiliate, are offered to the Company's customers as investment options in certain of the Company's products. As of December 31, 2012 and 2011, customer allocations to NFG funds were \$633,564,636 and \$585,380,517, respectively. For the years ended December 31, 2012 and 2011, NFG paid the Company \$1,705,293 and \$2,201,913, respectively, for the distribution and servicing of these funds.

The Company has a 90% coinsurance agreement with funds withheld with its wholly-owned subsidiary, Olentangy, to cede a block of certain universal life and term life insurance policies. Amounts ceded to Olentangy in 2012 include premiums of \$52,286,304 (\$56,322,667 in 2011), benefits and claims of \$23,809,891 (\$22,564,771 in 2011) and net investment earnings on funds withheld assets of \$16,623,427 (\$13,294,076 in 2011). As of December 31, 2012, the Company has \$1,606,043 (\$1,955,151 as of December 31, 2011) recoverable from Olentangy related to this treaty. In order for NLAIC to record a reinsurance reserve credit for the ceded block, NLAIC is holding assets in funds withheld with a book adjusted carrying value of \$269,759,215 as of December 31, 2012 (\$238,224,146 as of December 31, 2011). Additionally, Olentangy has established a trust account for the benefit of NLAIC which had a fair value of \$300,190,204 as of December 31, 2012 (\$279,987,619 as of December 31, 2011).

The Company has an inter-company reinsurance agreement with NLIC whereby certain inforce and subsequently issued fixed individual deferred annuity contracts are assumed on a modified coinsurance basis. Under modified coinsurance agreements, invested assets and liabilities for future policy benefits are retained by the ceding company and net investment earnings on the invested assets are paid to the assuming company. Under terms of this agreement, the investments risk associated with changes in interest rates is borne by NLIC. Risk of asset default is retained by the Company, although a fee is paid by NLIC to the Company for the Company's retention of such risk. The agreement will remain inforce until all contract obligations are settled. The ceding of risk does not discharge the original insurer from its primary obligation to the contract holder. The Company believes that the terms of the modified coinsurance agreement are consistent in all material respects with what the Company could have obtained with unaffiliated parties. Amounts ceded to NLIC in 2012 include premiums and other income of \$ 750,300,292 (\$136,865,792 in 2011), net investment income of \$ 115,691,365 (\$116,538,873 in 2011) and benefits, claims and other expenses of \$ 371,568,482 (\$360,904,759 in 2011). Amounts payable, as of December 31, 2012, related to this contract were \$ 22,521,720 (\$3,175,122 payable as of December 31, 2011). The reserve adjustment represents reserve increases related to this fixed block of business, offset by investment earnings on the underlying assets.

The Company has an inter-company reinsurance agreement with NLIC whereby a certain life insurance contract is ceded on a 100% coinsurance basis. Policy reserves ceded under this agreement totaled \$146,822,655 and \$142,380,270 as of December 31, 2012 and 2011 respectively.

The contractual obligations under the Company's single premium deferred annuity (SPDA) contracts in force and issued before September 1, 1988 are guaranteed by NLIC. Total SPDA contracts affected by this guarantee in force at December 31, 2012 and 2011 were approximately \$23,643,000 and \$24,263,000, respectively.

### (11) Debt

- A. Capital Notes – Not Applicable.
- B. Federal Home Loan Bank – Not Applicable

### (12) Retirement Plans, Deferred Compensation, Post-employment Benefits and Compensated Absences and Other Post-Retirement Benefit Plans

- A. Defined Benefit Plan - Not Applicable.
- B. Defined Contribution Plans

NMIC sponsors a defined contribution retirement savings plan (401(k)) covering substantially all employees. Employees may make salary deferral contributions of up to 80%. Salary deferrals of up to 6% are subject to a 50% Company match. The Company match is funded on a biweekly basis and the expense of such contributions are allocated to the Company based on employee contributions. The Company's allocated expense for contributions was approximately \$929,000 and \$804,000 for the years ended December 31, 2012 and 2011, respectively. Individuals are subject to a dollar limit on salary deferrals per IRS Section 402(g) (\$17,000 in 2012 and \$16,500 in 2011). Other limits also apply. The Company has no legal obligation for benefits under this plan.

- C. Multiemployer Plans - Not Applicable.
- D. Consolidated/Holding Company Plans

The Company, together with other affiliated companies, participates in a qualified defined benefit pension plan (the Nationwide Retirement Plan or the NRP), several non-qualified defined benefit supplemental executive retirement plans, and postretirement benefit plans (life and health care), all sponsored by NMIC.

The NRP covers all employees of participating employers who have completed at least one year of service and who are at least 21 years of age. Plan assets are invested in a third-party trust and group annuity contracts issued by NLIC. All participants are eligible for benefits based on an account balance feature. Participants hired prior to 2002, who are at least 21 years of age, are eligible for benefits based on the highest average annual salary of a specified number of consecutive years of the last ten years of service (final average pay formula), if such benefits are of greater value than the account balance feature.

Effective January 1, 2010, NMIC eliminated the company-paid early retirement enhancement, which is part of the final average pay formula. This enhancement provided an additional benefit for associates retiring between age 55 and 65. In addition, for participants eligible for the final average pay formula, pay credits under the account balance formula has stopped. Affected associates' benefits cannot be less than the NRP benefit they have accrued as of the date of change.

The Company funds pension costs accrued for direct employees plus an allocation of pension costs accrued for employees of affiliates whose work benefits the Company. In addition, separate non-qualified defined benefit pension plans sponsored by NMIC cover certain executives with at least one year of service. The Company's portion of expense relating to these plans was \$534,000 and \$267,000 for the years ended December 31, 2012 and 2011, respectively.

In addition to the NRP, the Company and certain affiliated companies participate in life and health care benefit plans sponsored by NMIC for qualifying retirees. Post-retirement life and health care benefits are contributory and generally available to full time employees hired prior to June 1, 2000 (prior to January 1, 1994 for life benefits), who have attained age 55 and have accumulated 15 years of service with the Company. The employee subsidy for the post-retirement death benefit was capped beginning in 2007.

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Employer subsidies for retiree life insurance ended as of December 31, 2008. No future employer contributions are anticipated for retiree life insurance and settlement accounting was applied during 2008. Post-retirement health care benefit contributions are adjusted annually and contain cost-sharing features such as deductibles and co-insurance. In addition, there are caps on the Company's portion of the per-participant cost of the post-retirement health care benefits. The Company does not receive a Medicare Part D subsidy from the government. The Company's policy is to fund the cost of health care benefits in amounts determined at the discretion of management. Plan assets are invested in a group annuity contract issued by NLIC and a third-party trust.

Effective December 31, 2009, each employee's current subsidy percentage was fixed and no additional service for benefits will be credited to the current plan formula. This modification does not impact former associates receiving Nationwide-sponsored medical benefits prior to January 1, 2010. Additionally, effective January 1, 2010, all non-highly compensated employees (NHCE) as defined by Internal Revenue Code 414 become eligible to receive an annual health care credit up to a maximum of \$1,000 per year, not to exceed a maximum lifetime benefit of \$25,000. The contribution will be a match of 33% of the NHCE's otherwise unmatched savings account or 401(a) contributions. No contributions will be made by NMIC if the employee does not make eligible contributions.

The Company's portion of (benefit) expense relating to these plans was \$(186,000) and \$(143,000) for the years ended December 31, 2012 and 2011, respectively.

The Company, together with other affiliated companies, also participates in non-qualified deferred compensation arrangements for certain employees and agents. The employer has no legal obligation for benefits under the plans. Expenses are allocated to the Company based on individual participants.

Total Plan liabilities for non-qualified deferred compensation plans were \$249,164,000 and \$246,791,000 on December 31, 2012 and 2011, respectively. Total Plan liabilities for non-qualified defined benefit plans were \$283,561,000 and \$271,374,000 on December 31, 2012 and 2011, respectively. Total expenses related to the non-qualified benefit plans were \$23,941,000 for 2012 and \$17,324,000 for 2011.

### E. Postemployment Benefits and Compensated Absences

The Company has no obligation to current or former employees for benefits after their employment but before their retirement other than for compensation related to earned vacation. The liability for earned but untaken vacation has been accrued.

### F. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17) – Not Applicable.

## (13) Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

(1) The Company has 66,000 Class A shares issued, authorized and outstanding as of December 31, 2012.

(2) The Company has no preferred stock outstanding.

(3) – (5) The payment of dividends by the Company is subject to restrictions set forth in the insurance laws and regulations of the State of Ohio, its domiciliary state. The State of Ohio insurance laws require Ohio-domiciled life insurance companies to seek prior regulatory approval to pay a dividend or distribution of cash or other property if the fair market value thereof, together with that of other dividends or distributions made in the preceding twelve months, exceeds the greater of (i) 10% of statutory-basis policyholders' surplus as of the prior December 31 or (ii) the statutory-basis net income of the insurer for the prior year. During 2012 and 2011, the Company did not pay any dividends to NLIC. The Company's statutory capital and surplus as of December 31, 2012 was \$310,995,146, and statutory net loss for 2012 was \$54,111,548. Due to the Company's unassigned deficit as of December 31, 2012, any dividend paid by the Company in 2013 would require regulatory approval.

The State of Ohio insurance laws also require insurers to seek prior regulatory approval for any dividend paid from other than earned surplus. Earned surplus is defined under the State of Ohio insurance laws as the amount equal to an insurer's unassigned funds as set forth in its most recent statutory financial statements, including net unrealized capital gains and losses or revaluation of assets. Additionally, following any dividend, an insurer's policyholder surplus must be reasonable in relation to the insurer's outstanding liabilities and adequate for its financial needs.

(6) Not Applicable.

(7) Not Applicable.

(8) The Company does not hold any stock for special purpose.

(9) The Company does not hold any special surplus funds.

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(10) The portion of unassigned funds (surplus) represented or (reduced) by each item below is as follows:

	<u>12/31/2012</u>	<u>12/31/2011</u>
a. Unrealized gains (losses)	\$ (75,598,419)	\$ (79,164,575)
b. Nonadmitted asset values	\$ 122,875,492	\$ 111,792,984
c. Asset valuation reserves	\$ 26,731,421	\$ 18,535,786

(11) The Company has no surplus debentures or similar obligations.

(12) Quasi –Reorganization - Not Applicable.

(13) Quasi –Reorganization - Not Applicable.

(14) Contingencies

A. Contingent Commitments

(1) As of December 31, 2012, the Company has not guaranteed any obligations which are subject to the revised guidance under SSAP No. 5R.

*Commitments*

Commitments to fund fixed rate mortgage loans are agreements to lend to a borrower and are subject to conditions established in the underlying contracts. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a deposit. Commitments extended by the Company are based on management's case-by-case credit evaluation of the borrower and the borrower's loan collateral. The underlying mortgaged property represents the collateral if the commitment is funded. The Company's policy for new mortgage loans is to generally lend no more than 80% of collateral value. Should the commitment be funded, the Company's exposure to credit loss in the event of nonperformance by the borrower is represented by the contractual amounts of these commitments less the net realizable value of the collateral. The contractual amounts also represent the cash requirements for all unfunded commitments.

As of December 31, 2012, the Company had no unfunded commitments related to its investments in limited partnerships and limited liability companies.

(2) Not Applicable

(3) Not Applicable

B. Assessments

(1) The increase in the number of insurance companies that are under regulatory supervision has resulted, and is expected to continue to result in increased assessments by state guaranty funds to cover losses to policyholders of insolvent or rehabilitated insurance companies. Those mandatory assessments may be partially recovered through a reduction in future premium taxes in certain states. The Company records an estimate of the amounts it expects to be assessed in future periods as a liability. Separately, the Company records an estimated premium tax recoverable. Changes in the estimated future liability and premium tax recoverable are recognized in current period operations.

(2)

a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end.	\$	140,132
b. Decreases current year:	\$	-
c. Increases current year: To adjust guaranty fund accrual	\$	139,289
d.. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end.	<u>\$</u>	<u>279,421</u>

C. Gain Contingencies – Not Applicable.

D. Claims Related Extra Contractual Obligation on Bad Faith Losses Stemming from Lawsuits – None.

E. All Other Contingencies

*Legal and Regulatory Matters*

The Company is a subject to legal and regulatory proceedings in the ordinary course of its business. The Company’s legal and regulatory matters include proceedings specific to the Company and other proceedings generally applicable to business practices in the industries in which the Company operates. These matters are subject to many uncertainties, and given their complexity and scope, their outcomes cannot be predicted. Regulatory proceedings also could affect the outcome of one or more of the Company’s litigations matters. Furthermore, it is often not possible to determine the ultimate outcomes of the pending regulatory investigations and legal proceedings or to provide reasonable ranges of potential losses with any degree of certainty. Some matters, including certain of those referred to below, are in very preliminary stages, and the Company does not have sufficient information to make an assessment of the plaintiffs’ claims for liability or damages. In some of the cases seeking to be certified as class actions, the court has not yet decided whether a class will be certified or (in the event of certification) the size of the class and class period. In many of the cases, the plaintiffs are seeking undefined amounts of damages or other relief, including punitive damages and equitable remedies, which are difficult to quantify and cannot be defined based on the information currently available. The Company believes, however, that based on currently known information, the ultimate outcome of all pending legal and regulatory matters is not likely to have a material adverse effect on the Company’s financial position. Nonetheless, given the large or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation, it is possible that such outcomes could materially affect the Company’s financial position or results of operations in a particular quarter or annual period.

The various businesses conducted by the Company are subject to oversight by numerous federal and state regulatory entities, including but not limited to the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the Department of Labor, the Internal Revenue Service (IRS) and state insurance authorities. Such regulatory entities may, in the normal course, be engaged in general or targeted inquiries, examinations and investigations of the Company and/or its affiliates. The financial services industry has been the subject of increasing scrutiny in connection with a broad spectrum of regulatory issues; with respect to all such scrutiny directed at the Company and/or its affiliates, the Company is cooperating with regulators. The Company will cooperate with NMIC insofar as any inquiry, examination or investigation encompasses NMIC’s operations.

In October 2012, NLIC and NLAIC entered into a Regulatory Settlement Agreement with the Florida Office of Insurance Regulation and twenty-one other state Departments of Insurance to resolve a multi-state market conduct exam regarding claim settlement practices. The Regulatory Settlement Agreement applies prospectively and requires NLIC and NLAIC to adopt and implement additional procedures relating to the use of the Social Security Death Master File and identifying and locating beneficiaries once deaths are identified. In October 2012, NLIC and NLAIC also entered into a Global Resolution Agreement to resolve the related unclaimed property audit.

Other jurisdictions may pursue similar investigations, examinations or inquiries. The results of these investigations, examinations or inquiries could result in the payment or escheatment of unclaimed death benefits, and/or changes in the Company’s practices and procedures to its claims handling and escheat processes, all of which could impact claim payments and reserves and/or result in payment of investigation costs, fines or penalties.

*Tax Matters*

The Company’s federal income tax returns are routinely audited by the IRS. The Company provides for federal income taxes based on amounts the Company believes it ultimately will 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 statutory financial statements, which could be significant. Management has used best estimates to establish reserves for uncertain tax positions based on current facts and circumstances regarding tax exposure items where the ultimate deductibility is open to interpretation. Management believes its tax reserves reasonably provide for potential assessments that may result from IRS examinations and other tax-related matters for all open tax years.

(15) Leases

The Company does not have any material lease obligations at this time.

(16) Information about Financial Instruments with Off Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

(1) The table below summarizes the face amount of the Company’s financial instruments with off balance sheet risk.

	Assets		Liabilities	
	2012	2011	2012	2011
Swaps	\$ 3,000,000	\$ 3,444,625	\$ 6,005,104	\$ 9,405,104
Futures	-	-	-	-
Options	-	-	-	-
Total	<u>\$ 3,000,000</u>	<u>\$ 3,444,625</u>	<u>\$ 6,005,104</u>	<u>\$ 9,405,104</u>

(2) Commitments to fund fixed rate mortgage loans on real estate are agreements to lend to a borrower, and are subject to conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of deposit. Commitments extended by the Company are based on management’s case-by-case credit evaluation of the borrower and the borrower’s loan collateral.

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

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- (3) Should the commitment be funded, the Company's exposure to credit loss in the event of nonperformance by the borrower is represented by the contractual amounts of these commitments less the net realizable value of the collateral. The contractual amounts also represent the cash requirements for all unfunded commitments. Potential credit losses are minimized through careful evaluation of counterparty credit standing, selection of counterparties from a limited group of high quality institutions, collateral agreements and other contract provisions.
- (4) The underlying mortgage property represents the collateral if the commitment is funded. The Company's policy for new mortgage loans on real estate is to lend no more than 80% of collateral value.

Collateral requirements for over-the-counter derivative instruments are controlled by the International Swap Dealers Association and Credit Support Annex documents that are negotiated with each counterparty. Generally, these documents outline each party's rights and obligations for receiving and posting collateral. The documents address such issues as calculating collateral due/owed, delivery and return of collateral, uses and substitution for collateral, distributions and interest rights and remedies for both parties, credit thresholds and eligible collateral (typically cash, debt obligations issued by the United States Treasury, or obligations issued by government agencies). The Company monitors their collateral position on a daily basis, adjusting positions as necessary, and in accordance with the terms of these agreements.

(17) Sale, Transfer, and Servicing of Financial Assets and Extinguishment of Liabilities

A. Transfers of Receivables Reported as Sales - Not Applicable.

B. Transfer and Servicing of Financial Assets

- (1) There were no assets obtained or liabilities incurred in transfers of financial assets where it is 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 \$4,728,137, as of 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 - None.

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

Not Applicable.

(19) Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Not Applicable.

(20) Fair Value Measurements

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

The Company categorizes its assets and liabilities 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.

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The Company categorizes the fair value of 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:

	As of December 31, 2012			
	Level 1	Level 2	Level 3	Total
<b>Assets at fair value</b>				
<b>Bonds:</b>				
Industrial & miscellaneous	\$ -	\$ 6,832,671	\$ 92,011	\$ 6,924,682
Total bonds	\$ -	\$ 6,832,671	\$ 92,011	\$ 6,924,682
<b>Assets at fair value:</b>				
Common stocks	\$ -	-	\$ 73,973	\$ 73,973
Derivative assets	-	-	-	-
Separate account assets <sup>1</sup>	1,175,606,403	-	-	1,175,606,403
Total assets at fair value	\$ 1,175,606,403	\$ 6,832,671	\$ 165,984	\$ 1,182,605,058
<b>Liabilities at fair value</b>				
Derivative liabilities	\$ -	\$ -	\$ -	\$ -
Total liabilities at fair value	\$ -	\$ -	\$ -	\$ -

<sup>1</sup>The value of separate account liabilities is set to equal the fair value of separate account assets.

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The following table presents the rollforward of Level 3 financial assets and liabilities held at fair value during the twelve months ended December 31, 2012:

	Balance as of December 31, 2011	Transfers into Level 3	Transfers Out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Balance as of December 31, 2012
Assets at fair value										
Bonds:										
Industrial & miscellaneous	\$ 202,864	\$ -	\$ -	\$ (144,411)	\$ 40,135	\$ -	\$ -	\$ -	\$ (6,578)	\$ 92,010
Total bonds	\$ 202,864	\$ -	\$ -	\$ (144,411)	\$ 40,135	\$ -	\$ -	\$ -	\$ (6,578)	\$ 92,010
Assets at fair value:										
Common stocks	\$ 44,526	\$ -	\$ -	\$ 29,447	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,973
Total assets at fair value	\$ 247,390	\$ -	\$ -	\$ (114,964)	\$ 40,135	\$ -	\$ -	\$ -	\$ (6,578)	\$ 165,983
Liabilities at fair value										
Derivative liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities at fair value	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The following table presents the rollforward of Level 3 financial assets and liabilities held at fair value during the three months ended December 31, 2012:

	Balance as of September 30, 2012	Transfers into Level 3	Transfers Out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Balance as of December 31, 2012
Assets at fair value										
Bonds:										
Industrial & miscellaneous	\$ 82,694	\$ -	\$ -	\$ -	\$ 1,745	\$ 7,571	\$ -	\$ -	\$ -	\$ 92,010
Total bonds	\$ 82,694	\$ -	\$ -	\$ -	\$ 1,745	\$ 7,571	\$ -	\$ -	\$ -	\$ 92,010
Assets at fair value:										
Common stocks	\$ 57,578	\$ -	\$ -	\$ -	\$ 16,394	\$ -	\$ -	\$ -	\$ -	\$ 73,972
Total assets at fair value	\$ 140,272	\$ -	\$ -	\$ -	\$ 18,139	\$ 7,571	\$ -	\$ -	\$ -	\$ 165,982
Liabilities at fair value										
Derivative liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities at fair value	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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:

	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Assets:						
Bonds	\$ 4,660,253,448	\$ 4,287,764,202	\$ 82,276,801	\$ 4,487,580,335	\$ 90,396,312	\$ -
Common stocks	-	-	-	-	-	-
Mortgage loans	537,310,589	524,001,761	-	-	537,310,589	-
Short-term investments	28,807,944	28,807,944	-	28,807,944	-	-
Derivative assets	298,865	-	-	298,865	-	-
Policy loans	30,617,131	30,617,131	-	-	30,617,131	-
Securities lending collateral assets	4,858,446	4,858,446	-	4,858,446	-	-
Total assets	\$ 5,262,146,423	\$ 4,876,049,484	\$ 82,276,801	\$ 4,521,545,590	\$ 658,324,032	\$ -
Liabilities:						
Investment contracts	\$ 3,091,910,877	\$ 3,103,837,034	\$ -	\$ -	\$ 3,103,837,034	\$ -
Derivative liabilities	2,777,113	2,734,245	-	2,777,113	-	-
Total Liabilities	\$ 2,777,113	\$ 2,734,245	\$ -	\$ 2,777,113	\$ -	\$ -

Not Practicable to Estimate Fair Value – Not applicable

(21) Other Items

- A. Extraordinary Items – None.
- B. Troubled Debt Restructuring: Debtors – None.
- C. Other Disclosures – Not Applicable.
- D. Uncollectible Assets - Not Applicable.
- E. Business Interruption Insurance Recoveries - Not Applicable.
- F. State Transferable and Non-transferrable Tax Credits – None.
- 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.

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(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	\$ 82,056,909	\$ 78,172,299	\$ 75,325,341	\$ 5,463,112
b. Commercial mortgage-backed securities	-	-	-	-
c. Collateralized debt obligations	-	-	-	-
d. Structured securities	-	-	-	-
e. Equity investment in SCAs	-	-	-	-
f. Other assets	-	-	-	-
g. Total	<u>\$ 82,056,909</u>	<u>\$ 78,172,299</u>	<u>\$ 75,325,341</u>	<u>\$ 5,463,112</u>

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

H. Retained Assets

The Company does not retain beneficiary assets. During a death benefit claim, the beneficiary has the option to receive an interest bearing deposit account with an affiliated banking institution, Nationwide Bank. In the case that the interest-bearing deposit account is selected by the beneficiary, the deposits are Federal Deposit Insurance Corporation insured and the Company has disposed of its policyholder liabilities and related assets. Interest earned by the beneficiary is consistent with interest earned on all other Nationwide Bank interest-bearing checking account deposits. While receipt of a deposit account with Nationwide Bank is an option available to the beneficiary during settlement of a death claim, the default death benefit settlement method is payment to the beneficiary in the form of a check.

(22) Subsequent events have been considered through February 22, 2013 for the statutory statement issued on March 1, 2013.

The Company received a capital contribution from its parent, NLIC of \$31,000,000 on February 6, 2013. Effective February 15, 2013, the Department granted the Company approval to record the \$31,000,000 contribution as a Type I Subsequent Event in its 2012 statutory financial statements.

(23) Reinsurance

A. Ceded Reinsurance Report

Section 1 - General Interrogatories

1. Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the Company or by any representative, officer, trustee, or director of the Company?

Yes ( ) No (X)

If yes, give full details.

2. Have any policies issued by the Company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business?

Yes ( ) No (X)

If yes, give full details.

Section 2 - Ceded reinsurance Report-Part A

1. Does the Company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment or premium or other similar credits?

Yes ( ) No (X)

a. If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the Company to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the Company may consider the current or anticipated experience of the business reinsured in making this estimate.

N/A

b. What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability, for these agreements in the income statement?

N/A

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2. Does the Company have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes ( ) No (X)

If yes, give full details.

Section 3 - Ceded Reinsurance Report-Part B

1. What is the estimated amount of the aggregate reduction in surplus (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2, above) of termination of ALL reinsurance agreements, by either party as of the date of this statement? Where necessary, the Company may consider the current or anticipated experience of the business reinsured in making this estimate.

\$0

2. Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the Company as of the effective date of the agreement?

Yes ( ) No (X)

If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken for such new agreements or amendments?

B. Uncollectible Reinsurance – None.

C. Commutation of Ceded Reinsurance - Not Applicable.

(24) Retrospectively Rated Contracts & Contracts Subject to Redetermination

A. Not Applicable.

B. Not Applicable.

C. Not Applicable.

D. Medical loss ratio rebates required pursuant to the Public Health Service Act – None.

(25) Change in Incurred Losses and Loss Adjustment Expenses - Not Applicable.

(26) Intercompany Pooling Arrangements - Not Applicable.

(27) Structured Settlements - Not Applicable.

(28) Health Care Receivables - Not Applicable.

(29) Participating Policies

For the year ended 2012, the relative percentage of individual and group participating life insurance policies was 0.3% of the total individual and group life insurance in-force. The Company accounts for its policyholder dividends based upon guidance from SSAP No. 51, Life Contracts.

(30) Premium Deficiency Reserves

1. Liability carried for premium deficiency reserves	<u>\$ -</u>
2. Date of the most recent evaluation of this liability	<u>12/31/2012</u>
3. Was anticipated investment income utilized in the calculation?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

(31) Reserves for Life Contracts and Annuity Contracts

- (1) The Company waives deduction of deferred fractional premiums upon death of the insured. The Company returns any portion of final premium paid beyond the month of death for all policies.
- (2) The same percentage that is applied to the gross premiums for determining the rate charged the substandard risk, is also applied to the rates in the statutory mortality table at all durations. For example, a life issued at table B, which would normally use 80CSO, would actually use 80CSO with all rates grossed up 50%.
- (3) As of December 31, 2012, the Company had \$5,085,390 of insurance in force for which the gross premiums are less than the net premiums according to the standard valuation set by the State of Ohio. Reserves to cover the above insurance totaled the gross amount of \$14,295,877 at year-end and are reported in Exhibit 5, Miscellaneous Reserves.
- (4) The Tabular Interest (Page 7, Part A, Line 4), The Tabular Less Actual Reserve Released (Page 7, Part A, Line 5), and the Tabular Cost (Page 7, Part A, Line 9) have been determined by formulas described in the instructions for Page 7.
- (5) The Tabular Interest on Funds not involving life contingencies is calculated using the actual accrued interest on such funds.
- (6) There are no other reserve changes for the current year.

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(32) Analysis of Annuity Actuarial Reserves and Deposit Type Liabilities by Withdrawal Characteristics

	(1) General Account	(2a) Separate Account with Guarantees	(2b) Separate Account Non-guaranteed	(3) Total	% of Total
A. Subject to discretionary withdrawal:					
(1) With fair value adjustment	\$ 9,712,747	\$ 82,572	\$ -	\$ 9,795,319	0.30%
(2) At book value less current surrender charge of 5% or more	659,822,379	-	-	659,822,379	20.64%
(3) At fair value	6,900,874	-	580,127,422	587,028,296	0.22%
(4) Total with adjustment or at fair value (Total of 1 through 3)	676,436,000	82,572	580,127,422	1,256,645,994	21.16%
(5) At book value without adjustment (Minimal or no charge or adjustment)	2,485,300,166	-	-	2,485,300,166	77.74%
B. Not subject to discretionary withdrawal	35,400,565	-	1,029,687	36,430,252	1.11%
C. Total (gross)	3,197,136,731	82,572	581,157,109	3,778,376,412	100.00%
D. Reinsurance ceded	184,931,128	-	-	184,931,128	
E. Total (net)* (C-D)	\$ 3,012,205,603	\$ 82,572	\$ 581,157,109	\$ 3,593,445,284	

\* Reconciliation of total annuity actuarial reserves and deposit fund liabilities

F. Life & Accident & Health Annual Statement	2012
(1) Exhibit 5, Annuities Section, Total (net)	\$ 2,986,831,756
(2) Exhibit 5, Supplementary Contracts with Life Contingencies Section, Total (net)	8,046,618
(3) Exhibit of Deposit-Type Contracts, Line 14, Column 1	17,327,229
(4) Subtotal	3,012,205,603
Separate Accounts Annual Statement	
(5) Exhibit 3, Line 0299999, Column 2	\$ 580,854,136
(6) Exhibit 3, Line 0399999, Column 2	-
(7) Policyholder dividend and coupon accumulations	-
(8) Policyholder premiums	-
(9) Guaranteed interest contracts	-
(10) Other contract deposit funds	385,545
(11) Subtotal	581,239,681
(12) Total annuity actuarial reserves and deposit fund liabilities	\$ 3,593,445,284

G. Federal Home Loan Bank Agreements – Not Applicable.

(33) Premium and Annuity Considerations Deferred and Uncollected

A. Deferred and uncollected life insurance premiums and annuity considerations as of December 31, 2012 were as follows:

Type	Gross	Net of Loading
(1) Industrial	\$ -	\$ -
(2) Ordinary New Business	10,763,216	2,269,182
(3) Ordinary Renewal	24,839,411	19,082,675
(4) Credit Life	-	-
(5) Group Life	-	-
(6) Group Annuity	-	-
(7) Total	\$ 35,602,627	\$ 21,351,858

(34) Separate Accounts

A. Separate Account Activity

- (1) The Company utilized separate accounts to record and account for assets and liabilities in its variable individual annuities and variable life insurance product lines.
- (2) As of December 31, 2012 and 2011 the Company’s separate account statement included legally insulated assets of \$1,175,606,403 and \$1,158,496,923, respectively. The assets legally insulated from the general account as of December 31, 2012, attributed to the following product lines:

Product/Transaction	Legally Insulated Assets	Separate Account Assets (Not Legally Insulated)
Individual Annuities	\$ 582,289,272	\$ -
Life Insurance	593,317,131	-
Total	\$ 1,175,606,403	\$ -

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE NATIONWIDE LIFE AND ANNUITY INSURANCE COMPANY

(3) In accordance with the products/transactions recorded within the separate account, some separate account liabilities are guaranteed by the general account. (In accordance with the guarantees provided, if the investment proceeds are insufficient to cover the rate of return guaranteed for the product, the policyholder proceeds will be remitted by the general account.) As of December 31, 2012, the Company's general account had a maximum guarantee for separate account liabilities of \$16,725,272 (\$42,418,598 as of December 31, 2011). To compensate the general account for the risk taken during 2012, the separate account paid risk charges of \$593,117 (\$750,296 during 2011). During 2012, the general account of the Company had paid \$251,354 (\$266,014 during 2011) toward separate account guarantees. To compensate the general account for the risk taken, the separate account has paid risk charges as follows for the past five (5) years:

a.	2012	\$	593,117
b.	2011	\$	750,296
c.	2010	\$	827,569
d.	2009	\$	-
e.	2008	\$	-

(4) The Company does not engage in securities lending transactions within its separate accounts.

B. General Nature and Characteristics of Separate Accounts Business

Most separate accounts held by the Company relate to individual and group variable annuity and variable universal life insurance contracts of a non-guaranteed return nature. The net investment experience of the separate accounts is credited directly to the contract holder and can be positive or negative. The individual variable annuity contracts generally provide an incidental death benefit of the greater of account value or premium paid (net of prior withdrawals). However, many individual variable annuity contracts also provide death benefits equal to (i) the most recent fifth-year anniversary account value, (ii) the highest account value on any previous anniversary, (iii) premiums paid increased 5% or certain combinations of these, all adjusted for prior withdrawals. The death benefit and cash value under the variable universal life policies may vary with the investment performance of the underlying investments in the separate accounts. The assets and liabilities of these separate accounts are carried at fair value. This business has been included in Column 4.

Certain other separate accounts relate to a guaranteed term option (GTO), which provides a guaranteed interest rate that is paid over certain maturity durations ranging from three to ten years, so long as certain conditions are met. If amounts allocated to the GTO are distributed prior to the maturity period, a market value adjustment (MVA) can be assessed. The assets and liabilities of these separate accounts are carried at fair value. This business has been included in Columns 2 and 3.

Information regarding the Separate Accounts of the Company is as follows:

	(1) Indexed	(2) Nonindexed guarantee less than or equal to 4%	(3) Nonindexed guarantee more than 4%	(4) Non- guaranteed Separate Accounts	Total
(1) Premiums, considerations or deposits for year ended December 31, 2012	\$ -	\$ -	\$ -	\$ 80,934,857	\$ 80,934,857
Reserves as of December 31, 2012					
(2) For accounts with assets at:					
a. Fair value	\$ -	\$ 75,066	\$ 7,507	\$ 1,105,234,512	\$ 1,105,317,084
b. Amortized cost	-	-	-	-	-
c. Total reserves	\$ -	\$ 75,066	\$ 7,507	\$ 1,105,234,512	\$ 1,105,317,084
(3) By withdrawal characteristics:					
a. Subject to discretionary withdrawal	\$ -	\$ -	\$ -	\$ -	\$ -
b. With FV adjustment	-	75,066	7,507	-	82,572
c. At book value without FV adjustment and with current surrender charge less than 5%	-	-	-	-	-
d. At fair value	-	-	-	1,104,204,825	1,104,204,825
e. At book value without FV adjustment and with current surrender charge less than 5%	-	-	-	-	-
f. Subtotal	-	75,066	7,507	1,104,204,825	1,104,287,397
g. Not subject to discretionary withdrawal	-	-	-	1,029,687	1,029,687
h. Total reserves	\$ -	\$ 75,066	\$ 7,507	\$ 1,105,234,512	\$ 1,105,317,084

(4) Not Applicable.

C Reconciliation of Net Transfers To or From Separate Accounts

(1) Transfers as reported in the Summary of Operations of the Separate Accounts Statement

a. Transfers to Separate Accounts (SA Page 4, Line 1.4)	\$ 80,279,013
b. Transfers from Separate Accounts (SA Page 4, Line 10)	165,036,161
c. Net transfers to (from) separate accounts (a-b)	(84,757,148)

(2) Reconciling Adjustment

a. Exchange accounts offsetting in the general account	4,450,653
b. Other miscellaneous adjustments not included in the general account	(157,008)

(3) Transfers as reported in the Summary of Operations of the Life,

Accident & Health Annual Statement (1c) + (2) = (Page 4, Line 26)	\$ (80,463,503)
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(35) Loss/Claim Adjustment Expenses

The Company no longer issues any health policies and due to the small size of the Company's health insurance business, the Company no longer holds any liabilities for claim adjustment expenses for the health business.

**FIVE-YEAR HISTORICAL DATA**

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

Show amounts of life insurance in this exhibit in thousands (OMIT \$000)

	1 2012	2 2011	3 2010	4 2009	5 2008
<b>Life Insurance in Force</b>					
(Exhibit of Life Insurance)					
1. Ordinary - whole life and endowment (Line 34, Col. 4) .....	24,081,190	20,453,120	17,127,230	13,483,866	10,700,721
2. Ordinary - term (Line 21, Col. 4, less Line 34, Col. 4) .....	48,268,616	42,052,108	37,833,810	34,383,575	29,014,398
3. Credit life (Line 21, Col. 6) .....					
4. Group, excluding FEGLI/SGLI (Line 21, Col. 9 less Lines 43 & 44, Col. 4) .....	173	203	211	170	411
5. Industrial (Line 21, Col. 2) .....					
6. FEGLI/SGLI (Lines 43 & 44, Col. 4) .....					
7. Total (Line 21, Col. 10) .....	72,349,979	62,505,431	54,961,251	47,867,611	39,715,530
<b>New Business Issued</b>					
(Exhibit of Life Insurance)					
8. Ordinary - whole life and endowment (Line 34, Col. 2) .....	5,228,457	4,434,586	4,748,869	3,605,400	2,665,054
9. Ordinary - term (Line 2, Col. 4, less Line 34, Col. 2) .....	9,181,753	7,288,486	6,299,593	8,211,745	8,483,849
10. Credit life (Line 2, Col. 6) .....					
11. Group (Line 2, Col. 9) .....					
12. Industrial (Line 2, Col. 2) .....					
13. Total (Line 2, Col. 10) .....	14,410,210	11,723,072	11,048,462	11,817,145	11,148,903
<b>Premium Income - Lines of Business</b>					
(Exhibit 1 - Part 1)					
14. Industrial life (Line 20.4, Col. 2) .....					
15.1 Ordinary-life insurance (Line 20.4, Col. 3) .....	392,204,769	329,073,858	(57,247,196)	283,802,743	203,286,888
15.2 Ordinary-individual annuities (Line 20.4, Col. 4) .....	11,111,796	7,559,233	5,290,886	7,374,608	11,240,170
16. Credit life (group and individual) (Line 20.4, Col. 5) .....					
17.1 Group life insurance (Line 20.4, Col. 6) .....		61,098			282,882
17.2 Group annuities (Line 20.4, Col. 7) .....	1,267,102	1,227,910	3,446,866	1,345,112	3,568,846
18.1 A & H-group (Line 20.4, Col. 8) .....	3,635	982	102	192	102
18.2 A & H-credit (group and individual) (Line 20.4, Col. 9) .....					
18.3 A & H-other (Line 20.4, Col. 10) .....	930	1,066	1,244	1,394	1,730
19. Aggregate of all other lines of business (Line 20.4, Col. 11) .....					
20. Total .....	404,588,232	337,924,147	(48,508,098)	292,524,049	218,380,618
<b>Balance Sheet (Pages 2 &amp; 3)</b>					
21. Total admitted assets excluding Separate Accounts business (Page 2, Line 26, Col. 3) .....	5,067,714,551	4,198,909,052	4,108,281,164	3,880,966,141	3,601,665,556
22. Total liabilities excluding Separate Accounts business (Page 3, Line 26) .....	4,756,719,405	3,896,454,468	3,821,068,716	3,667,982,030	3,479,415,035
23. Aggregate life reserves (Page 3, Line 1) .....	4,422,667,304	3,609,287,807	3,458,648,800	3,569,235,071	3,407,927,309
24. Aggregate A & H reserves (Page 3, Line 2) .....					
25. Deposit-type contract funds (Page 3, Line 3) .....	17,327,229	17,352,334	18,596,478	20,971,568	22,312,311
26. Asset valuation reserve (Page 3, Line 24.01) .....	26,731,421	18,535,786	13,841,584	10,905,627	9,486,541
27. Capital (Page 3, Lines 29 and 30) .....	2,640,000	2,640,000	2,640,000	2,640,000	2,640,000
28. Surplus (Page 3, Line 37) .....	308,355,146	299,814,584	284,572,448	210,871,687	120,032,208
<b>Cash Flow (Page 5)</b>					
29. Net Cash from Operations (Line 11) .....	735,244,660	104,746,372	(159,366,889)	152,973,846	(129,901,622)
<b>Risk-Based Capital Analysis</b>					
30. Total adjusted capital .....	338,245,335	323,484,916	303,253,804	224,940,314	132,710,899
31. Authorized control level risk - based capital .....	43,566,786	37,998,321	37,677,745	31,194,123	30,436,266
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b>					
(Page 2, Col. 3) (Line No. /Page 2, Line 12, Col. 3) x 100.0					
32. Bonds (Line 1) .....	88.0	86.2	81.3	77.5	72.9
33. Stocks (Lines 2.1 and 2.2) .....	0.0	0.0	0.0	0.1	0.2
34. Mortgage loans on real estate(Lines 3.1 and 3.2) .....	10.7	11.9	13.9	17.5	21.7
35. Real estate (Lines 4.1, 4.2 and 4.3) .....					
36. Cash, cash equivalents and short-term investments (Line 5) .....	0.6	0.8	1.7	4.2	4.4
37. Contract loans (Line 6) .....	0.6	0.6	0.6	0.6	0.6
38. Derivatives (Page 2, Line 7) .....		0.0	0.0	XXX	XXX
39. Other invested assets (Line 8) .....					
40. Receivables for securities (Line 9) .....		0.0	0.0	0.2	0.1
41. Securities lending reinvested collateral assets (Line 10) .....	0.1	0.5	2.5	XXX	XXX
42. Aggregate write-ins for invested assets (Line 11) .....				0.0	0.2
43. Cash, cash equivalents and invested assets (Line 12) .....	100.0	100.0	100.0	100.0	100.0

**FIVE-YEAR HISTORICAL DATA**

(Continued)

	1 2012	2 2011	3 2010	4 2009	5 2008
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
44. Affiliated bonds (Schedule D Summary, Line 12, Col. 1) .....					
45. Affiliated preferred stocks (Schedule D Summary, Line 18, Col. 1) .....					
46. Affiliated common stocks (Schedule D Summary Line 24, Col. 1), .....					
47. Affiliated short-term investments (subtotal included in Schedule DA Verification, Col. 5, Line 10) .....					
48. Affiliated mortgage loans on real estate .....	13,794,755	14,139,205	9,630,363	9,818,237	
49. All other affiliated .....					
50. Total of above Lines 44 to 49 .....	13,794,755	14,139,205	9,630,363	9,818,237	
51. Total Investment in Parent included in Lines 44 to 49 above .....					
<b>Total Nonadmitted and Admitted Assets</b>					
52. Total nonadmitted assets (Page 2, Line 28, Col. 2) .....	122,875,492	111,792,984	85,351,319	112,044,759	115,533,035
53. Total admitted assets (Page 2, Line 28, Col. 3) .....	6,243,320,954	5,357,405,975	5,431,244,774	5,243,361,034	4,879,190,498
<b>Investment Data</b>					
54. Net investment income (Exhibit of Net Investment Income) .....	222,393,208	209,475,638	209,821,469	202,613,816	202,292,965
55. Realized capital gains (losses) (Page 4, Line 34, Column 1) .....	(4,330,741)	(14,768,863)	(16,399,134)	(49,480,348)	(91,570,221)
56. Unrealized capital gains (losses) (Page 4, Line 38, Column 1) .....	3,566,067	(2,781,942)	(63,969,800)	(16,214,465)	1,820,665
57. Total of above Lines 54, 55 and 56 .....	221,628,534	191,924,833	129,452,535	136,919,003	112,543,409
<b>Benefits and Reserve Increases (Page 6)</b>					
58. Total contract benefits - life (Lines 10, 11, 12, 13, 14 and 15 Col. 1, minus Lines 10, 11, 12, 13, 14 and 15 Cols. 9, 10 and 11) .....	225,933,960	247,382,765	319,971,969	278,536,913	418,680,350
59. Total contract benefits - A & H (Lines 13 & 14, Cols. 9, 10 & 11) .....	2,700	2,135	3,025	2,719	3,768
60. Increase in life reserves - other than group and annuities (Line 19, Cols. 2 and 3) .....	297,563,517	246,097,000	(57,418,408)	224,764,474	149,967,999
61. Increase in A & H reserves (Line 19, Cols. 9, 10 & 11) .....					
62. Dividends to policyholders (Line 30, Col. 1) .....	971,461	1,047,336	1,078,504	1,039,181	1,108,644
<b>Operating Percentages</b>					
63. Insurance expense percent (Page 6, Col. 1, Lines 21, 22 & 23, less Line 6)/(Page 6, Col. 1, Line 1 plus Exhibit 7, Col. 2, Line 2) x 100.0 .....	46.2	46.0	(178.3)	46.7	48.9
64. Lapse percent (ordinary only) [(Exhibit of Life Insurance, Col. 4, Lines 14 & 15) / 1/2 (Exhibit of Life Insurance, Col. 4, Lines 1 & 21)] x 100.0 .....	6.0	6.3	7.2	8.1	7.5
65. A & H loss percent (Schedule H, Part 1, Lines 5 and 6, Col. 2) .....	59.1	104.2	224.7	171.4	205.7
66. A & H cost containment percent (Schedule H, Pt. 1, Line 4, Col. 2) .....					
67. A & H expense percent excluding cost containment expenses (Schedule H, Pt. 1, Line 10, Col. 2) .....	2.1	2.6	3.1	(62.0)	2.8
<b>A &amp; H Claim Reserve Adequacy</b>					
68. Incurred losses on prior years' claims - group health (Schedule H, Part 3, Line 3.1 Col. 2) .....		(440)			
69. Prior years' claim liability and reserve - group health (Schedule H, Part 3, Line 3.2 Col. 2) .....					
70. Incurred losses on prior years' claims-health other than group (Schedule H, Part 3, Line 3.1 Col. 1 less Col. 2) .....	2,700	2,575	3,025	1,800	1,800
71. Prior years' claim liability and reserve-health other than group (Schedule H, Part 3, Line 3.2 Col. 1 less Col. 2) .....					
<b>Net Gains From Operations After Federal Income Taxes by Lines of Business (Page 6, Line 33)</b>					
72. Industrial life (Col. 2) .....					
73. Ordinary - life (Col. 3) .....	(80,674,325)	(72,460,401)	(45,841,810)	(35,581,595)	(32,751,204)
74. Ordinary - individual annuities (Col. 4) .....	19,571,511	13,883,226	421,645	11,883,822	6,655,114
75. Ordinary-supplementary contracts (Col. 5) .....	56,243	1,843,511	1,388,098	54,148	339,546
76. Credit life (Col. 6) .....					
77. Group life (Col. 7) .....	(124,770)	(127,011)	(249,740)	15,824	164,722
78. Group annuities (Col. 8) .....	989,953	527,062	540,329	983,993	(363,974)
79. A & H-group (Col. 9) .....	2,318	910	120	758	3,314
80. A & H-credit (Col. 10) .....					
81. A & H-other (Col. 11) .....	(1,135)	(962)	(856)	(885)	1,284
82. Aggregate of all other lines of business (Col. 12) ....	10,399,397	9,868,032	11,420,985	26,695,167	17,112,566
83. Total (Col. 1) .....	(49,780,808)	(46,465,633)	(32,321,229)	4,051,232	(8,838,632)

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: .....