

Report of Examination of
Nationwide Life Insurance Company
Columbus, Ohio
As of December 31, 2011

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Columbus, Ohio
February 8, 2013

Honorable Mary Taylor
Lieutenant Governor/Director
State of Ohio
Department of Insurance
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Madam:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), an examination was made of the

Nationwide Life Insurance Company

an Ohio domiciled, stock life insurance company, hereinafter referred to as the (“Company.”) The Company is 100% owned by Nationwide Financial Services, Inc. (“NFS”) and NFS is 100% owned by Nationwide Corporation (“NW Corp.”) NW Corp is owned by Nationwide Mutual Insurance Company (“NMIC”) and Nationwide Mutual Fire Insurance Company, 95.2% and 4.8%, respectively. The examination was conducted at NMIC home office, located at One West Nationwide Boulevard, Columbus, Ohio.

Scope of Examination

The Department last examined the Company as of December 31, 2006. The current examination covers the period of January 1, 2007 through and including December 31, 2011.

The Department conducted the examination in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook. The Handbook requires that the Department plan and perform the examination to evaluate the Association’s financial condition and identify prospective risks including corporate governance, identify and assess inherent risks and evaluate system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

The State of Ohio took the lead role to perform the coordinated exam of NMIC and affiliates and the State of Vermont participated on the Life Insurance Companies group examination.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

For the years covered by this examination, the certified public accounting firm of KPMG, LLP (“KPMG”) provided an unqualified opinion based on statutory accounting principles. Relevant work performed by KPMG during its annual audit of the Company was reviewed during the examination and incorporated into the examination work papers.

In addition, the following items were reviewed during the course of this examination:

1. Company history;
2. fidelity bonds and other insurance;
3. officers’, employees’, and agents’ welfare and pension plans;
4. growth of Company;
5. loss experience;
6. pending litigation; and
7. Articles of Incorporation and Bylaws.

Management and Control

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date:

Name and Address	Principal Occupation
Timothy G. Frommeyer	Senior Vice-President – Chief Financial Officer (Nationwide Financial Companies)
Peter A. Golato	Senior Vice-President – Nationwide Financial Network
Stephen S. Rasmussen	Chief Executive Officer, Nationwide Group
Mark R. Thresher	Executive Vice-President – Chief Financial Officer
Kirt A. Walker	President and Chief Operating Officer – (Nationwide Financial Companies)

Officers

As of the examination date, the following officers were elected and serving in accordance with the Company's Bylaws:

Name	Title
Kirt A. Walker	President & Chief Operating Officer
Robert W. Horner, III	Vice-President and Secretary
David P. LaPaul	Senior Vice-President and Treasurer
Steven A Ginnan	Vice-President - Chief Actuary (Nationwide Financial)

Insurance Holding Company System

The Company is a member of a holding company system as defined in Section 3901.32 of the ORC. NMIC and NMFIC are the ultimate controlling parties of the insurance company holding system.

Territory and Plan of Operations

The Company is licensed to transact business in all 50 states, the District of Columbia, Guam, Puerto Rico and the U.S. Virginia Islands. The Company is a leading provider of long-term savings and retirement products in the United States of American (U.S.). The Company develops and sells a diverse range of products including individual annuities, private and public sector group retirement plans, investment products sold to institutions, life insurance and advisory services.

Separate Accounts

Separate account assets represent contractholders' funds that have been legally segregated into accounts with specific investment objectives. Separate account assets are comprised of public, privately registered and non-registered mutual funds and investments in securities. Investment income and realized investment gains or losses of these accounts accrue directly to the contractholders.

Reinsurance

The Company has an intercompany agreement with Nationwide Life and Annuity Insurance Company ("NLAIC") whereby certain inforce and subsequently issued fixed individual deferred annuity contracts are assumed on a modified coinsurance basis and certain life insurance contract is assumed on a 100% coinsurance basis.

The Company has a reinsurance agreement with NMIC whereby nearly all of the Company's accident and health business that is not ceded to unaffiliated reinsurers is ceded to NMIC on a modified coinsurance basis.

The Company has entered into reinsurance contracts to cede a portion of its individual annuity and life insurance business to unaffiliated insurers.

All contracts examined contained the necessary clauses to meet the guidelines prescribed by the NAIC.

Financial Statements

The financial condition and the results of its operations for the five year period under examination as reported and filed by the Company with the Department and audited by the Company's external auditors, are reflected in the following:

- Statement of Assets, Liabilities, Surplus and Other Funds
- Summary of Operations
- Statement of Changes in the Capital and Surplus Account

Statement of Assets
December 31, 2011

Admitted assets	
Bonds	\$ 22,687,854,094
Common stocks	309,123,316
Mortgage loans on real estate – first liens	5,122,186,499
Cash and short-term investments	824,380,645
Contract loans	981,035,982
Derivatives	3,206,080,712
Other invested assets	210,510,120
Receivable for securities	51,699,811
Securities lending reinvested collateral assets	<u>85,610,723</u>
Total cash and invested assets	33,478,481,902
Investment income due and accrued	499,033,551
Uncollected premiums and agents’ balances in course of collection	40,443,907
Deferred premiums and agents’ balances and installments booked but deferred and not yet due	44,881,436
Amounts recoverable from reinsurers	8,728,097
Other amounts receivable under reinsurance contracts	6,296,903
Current federal and foreign income tax recoverable and interest thereon	62,964,419
Net deferred tax asset	468,275,204
Guaranty funds receivable or on deposit	1,547,707
Receivable from parents, subsidiaries and affiliates	3,066,906
Aggregated write-ins for other than invested assets	
Accrued fees and other assets	153,692,485
Cash value of corporate owned insurance	2,069,127
Prepaid pension costs	<u>1,980,362</u>
Total assets excluding Separate Accounts	<u>34,771,462,006</u>
From Separate Accounts	<u>65,169,334,698</u>
Total admitted assets	<u>\$ 99,940,796,704</u>

**Statement of Liabilities, Surplus and Other Funds
December 31, 2011**

Liabilities, Surplus and other funds:	
Aggregate reserve for life contracts	\$ 26,570,233,617
Aggregate reserve for accident and health contracts	69,026,492
Liability for deposit-type contracts	1,378,823,675
Life contract claims	50,715,634
Accident and health contract claims	31,820,302
Policyholders' dividends	380,133
Dividends apportioned for payment	71,820,077
Premiums and annuity consideration for life and accident and health contracts received in advance	4,588,816
Provision for experience rating refunds, including the liability of accident and health experience rating refunds	4,489,564
Other amounts payable on reinsurance	12,585,594
Interest maintenance reserve	69,188,433
Commission to agents due or accrued-life and annuity contracts	32,499,482
Commission and expense allowance payable on reinsurance assumed	9,183,903
General expenses due or accrued	41,968,453
Transfer to Separate Accounts due or accrued (net)	(1,761,550,929)
Taxes, licenses and fees due or accrued	15,385,941
Unearned investment income	7,531,498
Amounts withheld or retained by company as agent or trustee	5,932,488
Remittances and items not allocated	72,260,809
Borrowed money and interest thereon	780,255,030
Asset valuation reserve	115,994,700
Reinsurance in unauthorized companies	419,262
Payable to parent, subsidiaries, and affiliates	50,478,930
Derivatives	2,376,544,119
Payable for securities	1,027,873,118
Payable for securities lending	86,964,254
Aggregate write-ins for liabilities	
Deferred gain liability	2,494,572
Loss recognition reserve	940,000
Reserve for escheat funds	19,400,234
Reserve for litigation	5,862,254
Reserve for rate stabilizations	<u>26,438,434</u>
Total liabilities excluding Separate Account business	31,180,548,889
From Separate Accounts Statement	<u>65,169,334,698</u>
Total liabilities	<u>\$ 96,349,883,587</u>

Common capital stock	<u>3,814,779</u>
Surplus notes	700,000,000
Gross paid in and contributed surplus	954,086,517
Aggregate write-ins for special surplus funds	
Expanded SSAP 10R deferred tax assets	287,729,071
Unassigned funds	<u>1,645,282,750</u>
Surplus	<u>3,587,098,338</u>
Total capital and surplus	<u>3,590,913,117</u>
Total liabilities, capital and surplus	<u>\$ 99,940,796,704</u>

Summary of Operations
December 31, 2011

Premiums and annuity considerations for life and accident and health contracts	\$ 12,670,933,937
Considerations for supplementary contracts with life contingencies	739,566
Net investment income	1,526,897,063
Amortization of interest maintenance reserve	23,189,580
Separate Accounts net gain from operations excluding unrealized gains or losses	276,930
Commissions and expense allowances on reinsurance ceded	61,664,851
Reserve adjustments on reinsurance ceded	(50,449,134)
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	1,222,156,444
Charges and fees for deposit-type contracts	272,565
Miscellaneous income	<u>456,867,196</u>
Total premiums and other revenues	15,912,548,998
Death Benefits	395,326,274
Matured endowments	3,185,477
Annuity benefits	9,756,139,310
Disability benefits and benefits under accident and health contracts	5,362,720
Surrender benefits and withdrawals for life contracts	742,514,641
Interest and adjustments on contract or deposit-type contract funds	53,538,482
Payments on supplementary contracts with life contingencies	4,101,484
Increase in aggregate reserve for life and accident and health contracts	<u>1,686,416,814</u>
Total benefits paid or provided	12,646,585,202
Commissions on premiums, annuity considerations and deposit-type contract funds	731,874,229
Commissions and expense allowances on reinsurance assumed	15,709,026
General insurance expenses	422,297,077
Insurance taxes, licenses and fees, excluding federal income taxes	47,491,383
Increase in loading on deferred and uncollected premiums	880,344
Net transfers to Separate Accounts net of reinsurance	1,890,013,667
Aggregate write-ins for deductions	
Increase in loss reserve recognition reserve	(379,000)
Increase in reserves for rate stabilizations	(561,325)
Reserve adjustments on reinsurance assumed	<u>(204,369,283)</u>
Total insurance expenses and other deductions	15,549,541,320
Net gain from operations before dividends to policyholders and federal income taxes	363,007,678
Dividends to policyholders	<u>70,933,871</u>
Net gain from operations after dividends to policyholders and before federal income taxes	292,073,807
Federal and foreign income taxes incurred	<u>(837,453)</u>

Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains	292,911,260
Net realized capital losses	<u>(274,470,128)</u>
Net Income	<u>\$ 18,441,132</u>

Statement of Changes in the Surplus Account
(in millions)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Surplus December 31, previous year	<u>\$ 3,686</u>	<u>\$ 3,130</u>	<u>\$ 2,750</u>	<u>\$ 3,175</u>	<u>\$ 3,337</u>
Net income or (loss) from operations	18	560	397	(871)	401
Change in net unrealized capital gains (losses)	(107)	3	(420)	346	7
Change in net unrealized foreign exchange capital gain (losses)	(1)	(1)	(1)	(2)	18
Change in net deferred income tax	165	(162)	(31)	313	39
Change in nonadmitted assets	(272)	221	14	(133)	(32)
Change in asset valuation reserve	(12)	9	245	(19)	4
Surplus withdrawn from Separate Accounts	19	-	-	-	27
Other change in surplus Separate Accounts	(19)	2	(1)	-	(24)
Cumulative effect changes in accounting principles	-	-	-	-	12
Paid in (surplus adjustments)	-	-	20	320	-
Dividends to stockholders	-	-	-	(447)	(613)
Aggregate write-ins for gains and losses in surplus:					
Adjustment to Initial Commission and Expense Allowance	(1)	(1)	(1)	(1)	(1)
Expanded SSAP 10R Deferred Tax Assets	136	(75)	158	-	-
Tax prior period adjustment	(21)	-	-	-	-
Ohio Permitted Practice for Deferred Tax	-	-	-	69	-
Net change in surplus for the year	<u>(95)</u>	<u>556</u>	<u>380</u>	<u>(425)</u>	<u>(162)</u>
Surplus December 31, current year	<u>\$ 3,591</u>	<u>\$ 3,686</u>	<u>\$ 3,130</u>	<u>\$ 2,750</u>	<u>\$ 3,175</u>

Notes to the Financial Statements

Investments

The Company's investment portfolio consists of bonds, stocks and cash and is compliant with Section 3907.14 of the ORC. The investments were valued in accordance with the relevant Statements of Statutory Accounting Principles.

Aggregate Reserve for Life and Accident and Health Contracts

The Company's Board of Directors appointed James P. Cleary, FSA, MAAA, of the Company to render a Statement of Actuarial Opinion ("Opinion") on the total reserves. Mr. Cleary prepared an Actuarial Memorandum supporting the Opinion in conjunction with the preparation of the Company's December 31, 2011 Annual Statement.

Peter Weber, ASA, MAAA, the Department's Life and Annuity Actuary, reviewed the Actuarial Memorandum and performed other procedures as considered necessary to evaluate the Company's reserves. On the basis of his analysis, Mr. Weber determined the reserves presented in the December, 2011 Annual Statement are consistent with requirements in Ohio law, and furthermore, that the reserves and related items held by the Company are adequate and appropriate.

Subsequent Events

There are no material subsequent events.

Conclusion

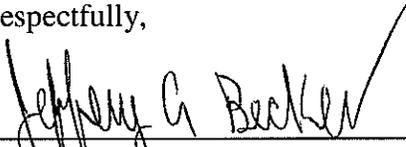
The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2011, and is summarized as follows:

Total Admitted Assets	<u>\$ 99,940,796,704</u>
Liabilities	\$ 96,349,883,587
Surplus as regard Policyholders	<u>3,590,913,117</u>
Total Liabilities and Unassigned Funds	<u>\$ 99,940,796,704</u>

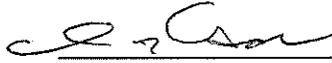
Acknowledgement

In addition to the undersigned, the following representatives of the Department participated in this examination: Methuselah Nyangoro, CFE, CPA; Kim Somogyi, CPA; Edward Nagorny, CFE, CPA; Bryan Radecky, CPA; Patricia Severs, CPA; Mark Boston, CPA; Rick Rhoades, CPA (inactive); William Harrington, CFE, CPA (inactive); Peter Weber, ASA, MAAA; Vicky Hugo, AES, CISA, CPA and Roy Moster, AES, CISA, CPA.

Respectfully,



Jeffery A. Becker, CFE
Examiner-In-Charge
Office of Risk Assessment
Ohio Department of Insurance



David Cook, CFE
Assistant Chief Examiner
Office of Risk Assessment
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2011.

Jeffery A. Becker
Examiner-in-Charge

3/7/2013
Date

[Signature]
Assistant Chief Examiner

3/7/2013
Date

State of Ohio

County of Franklin

Personally appeared before me the above named, Jeffery A. Becker, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 7 day of March, 2013.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2017
My Commission Expires

State of Ohio

County of Franklin

Personally appeared before me the above named, David Cook, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 7 day of March, 2013.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2017
My Commission Expires