

Best's Rating Report

NATIONWIDE MUTUAL INSURANCE COMPANY

Columbus , Ohio



A+

Ultimate Parent: Nationwide Mutual Insurance Company

NATIONWIDE MUTUAL INSURANCE COMPANY

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Web: www.nationwide.com

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AMB#: 002358

Ultimate Parent#: 002358

NAIC#: 23787

FEIN#: 31-4177100

BEST'S FINANCIAL STRENGTH RATING

Based on our opinion of the consolidated Financial Strength of the members of Nationwide Group, which operate under a business pooling arrangement, each pool member is assigned a Best's Financial Strength Rating of A+ (Superior). The company is assigned the Financial Size Category of Class XV, which is the Financial Size Category of the pool.

RATING RATIONALE

The following text is derived from the report of Nationwide Group.

Rating Rationale: The rating reflects Nationwide Group's (Nationwide) adequate level of risk-adjusted capitalization, overall favorable operating results, significant market presence and brand-name recognition. These positive rating factors are the result of Nationwide's capital management strategies, its multi-variant pricing model, strict underwriting guidelines, extensive market knowledge and diversified product mix that is distributed through various agency channels. These are partly offset by the group's volatile underwriting performance which is largely due to the impact of severe weather-related and catastrophic events, despite their mitigation by a comprehensive reinsurance program. In addition, Nationwide's underwriting expense ratio generally exceeds that of other personal lines carriers, primarily due to a somewhat elevated level of commission expense, and its legacy asbestos and environmental (A&E) claims unfavorably influenced older years' loss reserve development. The group also remains susceptible to competitive personal lines market conditions and regulatory and legal decisions that impact profitability.

The outlook reflects the challenges that management will face to improve underwriting profitability and organically rebuild surplus with a potentially lower level of investment income. Nationwide's surplus and risk-adjusted capitalization significantly declined with the early 2009 privatization of Nationwide Financial Services, Inc. (NFS).

Nationwide utilizes multiple distribution channels that include exclusive and independent agents, direct sales via telephone and the Internet, as well as, direct marketing to affinity groups. Management's business acquisition strategy has enabled the group to increase its operating scale, provide solid platforms for running its agency distribution network and increase geographic diversification.

The rating is based on the consolidated financial results of the four members of Nationwide's intercompany pool led by Nationwide Mutual Insurance Company, twenty-three reinsured affiliates and two separately rated subsidiaries, Nationwide Insurance Company of Florida (NICOF) and Nationwide Indemnity Company (NIC).

Best's Financial Strength Rating: A+ p

Outlook: Negative

FIVE YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
03/25/10	A+ p	02/05/07	A+ p
01/27/09	A+ p	05/03/06	A+ p
03/11/08	A+ p		

KEY FINANCIAL INDICATORS (\$000)

Period Ending	Statutory Data					
	Direct Premiums Written	Net Premiums Written	Pretax Operating Income	Net Income	Total Admitted Assets	Policyholders' Surplus
2005	5,113,433	12,391,031	1,254,773	652,211	26,282,428	8,265,823
2006	4,921,140	13,057,682	1,587,136	1,080,505	28,374,753	10,805,962
2007	4,524,133	13,052,808	1,070,529	813,410	29,520,739	11,361,457
2008	4,162,310	12,783,169	-115,670	556,086	28,835,947	10,879,731
2009	3,795,360	12,213,697	72,689	55,235	27,261,995	9,475,043

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Period Ending	—Profitability—			—Leverage—			—Liquidity—		AMB#	COMPANY NAME	DOMICILE	% OWN
	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev.	Overall Liq.	Oper. Cash-flow (%)				
2005	96.1	3.4	10.4	61.2	1.5	3.7	146.8	112.5	050366	THI Holdings (Delaware) Inc	DE	100.00
2006	93.5	3.9	12.4	49.1	1.2	2.8	162.7	109.3	000548	Titan Indemnity Company	TX	100.00
2007	98.2	3.2	8.2	35.8	1.1	2.7	163.3	103.9	010709	Titan Insurance Company	MI	100.00
2008	107.0	3.0	-0.9	25.9	1.2	2.8	161.1	105.0	000671	Victoria Fire & Casualty Co	OH	100.00
2009	104.4	2.1	0.6	37.7	1.3	3.1	153.4	102.6	011688	Victoria Automobile Ins Co	IN	100.00
5-Yr	99.8	3.1	6.1	...	...	...	...	...	012059	Victoria National Ins Co	OH	100.00
									011689	Victoria Select Insurance Co	OH	100.00
									012058	Victoria Specialty Ins Co	OH	100.00
									000366	Farmland Mutual Insurance Co	IA	
									002357	Nationwide Mutual Fire Ins Co	OH	

(* Data reflected within all tables of this report has been compiled from the company-filed statutory statement. Within several financial tables of this report, this company is compared against the Private Passenger Standard Auto & Homeowners Composite.

CORPORATE OVERVIEW

Nationwide Mutual Insurance Company (Nationwide Mutual), Nationwide Mutual Fire Insurance Company (Nationwide Mutual Fire) and Farmland Mutual Insurance Company are affiliated property-casualty insurers.

Nationwide Mutual fully owns the following groups of companies and their respective property-casualty subsidiaries: Allied Group, Inc. (five subsidiaries), Scottsdale Insurance Company (five subsidiaries) and THI Holdings Delaware, Inc. (seven subsidiaries). Nationwide Mutual also owns fourteen other individual property-casualty subsidiaries including Atlantic Floridian Insurance Company, Crestbrook Insurance Company, Nationwide Indemnity Company and Nationwide Insurance Company of Florida.

Nationwide Mutual and Nationwide Mutual Fire respectively own 95.2% and 4.8% of Nationwide Corporation, parent of Nationwide Financial Services, Inc. (NFS). NFS is the holding company for Nationwide Life Insurance Company (NLIC) and other companies that comprise the life insurance and retirement savings operations of the Nationwide group of companies (Nationwide). This group also includes Nationwide Life Insurance Company of America (NLICA) and its subsidiaries, including the affiliated distribution network (Nationwide Financial Network (NFN)).

CORPORATE STRUCTURE

AMB#	COMPANY NAME	DOMICILE	% OWN
002358	Nationwide Mutual Ins Co	OH	
058310	ALLIED Group, Inc	IA	100.00
001772	ALLIED Property & Cas Ins Co	IA	100.00
002014	AMCO Insurance Company	IA	100.00
052365	Nationwide Advantage Mortgage		87.30
090236	AGMC Reinsurance, Ltd.	Turks and Caicos Islands	100.00
001872	Depositors Insurance Company	IA	100.00
002513	Nationwide Insurance Co of Am	IA	100.00
011541	Atlantic Floridian Ins Co	OH	100.00
001987	Crestbrook Insurance Company	OH	100.00
054013	Lone Star General Agency Inc	TX	100.00
010346	Colonial County Mutual Ins Co	TX	
003007	National Casualty Company	WI	100.00
078197	Natl Cas Co of America Ltd	United Kingdom	100.00
011802	Nationwide Affinity Ins Co Am	OH	100.00
003539	Nationwide Agribusiness Ins Co	IA	100.00
000277	Nationwide Assurance Company	WI	100.00
050675	Nationwide Corporation	OH	95.20
058160	Nationwide Financial Services	DE	100.00
006812	Nationwide Life Ins Co	OH	100.00
009070	Nationwide Life & Annuity Ins	OH	100.00
620781	Nationwide Bank	OH	100.00
076920	NF Reinsurance Ltd	Bermuda	100.00
002356	Nationwide General Ins Co	OH	100.00
011664	Nationwide Indemnity Company	OH	100.00
012238	Nationwide Insurance Co of FL	OH	100.00
002855	Nationwide Lloyds	TX	
002594	Nationwide Prop & Cas Ins Co	OH	100.00
001931	Scottsdale Indemnity Company	OH	100.00
003292	Scottsdale Insurance Company	OH	100.00
013981	Freedom Specialty Insurance Co	OH	100.00
012121	Scottsdale Surplus Lines Ins	AZ	100.00
001722	Veterinary Pet Insurance Co	CA	100.00
000601	Western Heritage Insurance Co	AZ	100.00

BUSINESS REVIEW

The following text is derived from the report of Nationwide Group.

Nationwide is one of the largest multi-line insurers and financial services organizations in the U.S., with statutory assets in excess of \$38.0 billion. Its combined operations are serviced by 33,000 employees and by more than 60,000 agents and producers. Through its various affiliates, Nationwide is engaged in two core businesses: Property/Casualty Insurance and Life & Retirement Savings.

The Property/Casualty Insurance segment, led by Nationwide Mutual Insurance Company (NMIC), generates approximately 80% of Nationwide's net premiums written. NMIC provides personal and main-street commercial insurance primarily through a national network of exclusive agencies. In addition, Nationwide distributes through direct response and independent agency channels which were enhanced by the acquisition of the ALLIED group of companies and Nationwide Insurance Company of America. THI Holdings Delaware, Inc. (THI), which is led by Victoria Fire & Casualty Company, includes seven operating companies and specializes in writing non-standard automobile business. The group's commercial segment includes the Scottsdale companies and Farmland Mutual Insurance Company. Western Heritage Insurance Company, which was acquired along with ALLIED Group, Inc., provides a wide range of commercial insurance products and services. The Scottsdale companies and Western Heritage Insurance Company write property/casualty and specialty classes of insurance on an excess and surplus lines basis. The specific lines of business include contract property and casualty, professional, transportation and brokerage lines. These lines account for approximately 9% of the group's net premiums written.

Nationwide's primary property/casualty lines of business include private passenger automobile liability and physical damage, homeowners and main-street commercial business. NMIC predominantly writes standard personal automobile and main-street commercial coverages. Nationwide Mutual Fire specializes in providing homeowners insurance. Nationwide Property and Casualty Insurance Company provides alternative-priced personal automobile products to Nationwide's agents. Nationwide General Insurance Company specializes in providing auto insurance for select mid-size employer groups and professional organizations. Nationwide Assurance and its affiliate, Colonial County Mutual Insurance Company, specialize in nonstandard auto and motorcycle coverages. The ALLIED companies specialize in personal and main-street commercial insurance products primarily written through independent agents in the western U.S. Thirteen service centers are maintained throughout the country to issue and service policies, collect premiums and pay claims in their respective territories.

The main rating unit, Nationwide Group, consists of the four members of the intercompany reinsurance pool led by the Nationwide Mutual Insurance Company plus twenty-five affiliates, twenty-three of which reinsure with either a pool member or another affiliate and qualify for a reinsurance affiliation code. The second rating unit is the Nationwide Insurance Company of Florida (NICOF) which writes virtually all of the group's homeowners business in the state of Florida. The last rating unit is Nationwide Indemnity Company, which since year-end 1998 has primarily served as the runoff entity for Nationwide's discontinued operations, primarily those with exposure to asbestos and environmental (A&E) claims.

Nationwide's intercompany reinsurance pool was amended on January 1, 1999, and currently includes the following participants: Nationwide Mutual Insurance Company, 83.7%; Nationwide Mutual Fire Insurance Company, 11.3%; Scottsdale Insurance Company, 4.0%; and Farmland Mutual Insurance Company, 1.0%. Also, effective January 1, 1999, through quota share reinsurance agreements, ALLIED Property and Casualty Insurance Company, Depositors Insurance Company and Nationwide Insurance Company of

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America fully reinsure with AMCO Insurance Company which, in turn, fully reinsures with Nationwide Mutual. Similarly, effective January 1, 1999, Scottsdale Indemnity Company, Scottsdale Surplus Lines Insurance Company and Western Heritage Insurance Company fully reinsure with Scottsdale Insurance Company, which participates in the Nationwide pool. Additionally, Nationwide Assurance Company, Nationwide Agribusiness Insurance Company, Nationwide General Insurance Company, Nationwide Property and Casualty Insurance Company, and Nationwide Lloyd's fully reinsure with Nationwide Mutual Insurance Company. Colonial County Mutual Insurance Company is anticipated to continue to reinsure a portion of its business with Nationwide property/casualty affiliates and the balance with non-affiliated U.S. insurers. National Casualty Company reinsures the vast majority of its business with Nationwide Mutual. On August 1, 2003, Nationwide Mutual acquired THI Holdings, Inc., and its domestic non-standard auto business which was added to the Nationwide pool through a 100% quota share arrangement that was changed to 90% quota share as of January 1, 2004. Beginning in 2005, Nationwide Affinity Insurance Company of America reinsures its personal lines business, including the non-standard personal automobile business written in California, North Carolina, Maine and Washington, D.C., with Nationwide Mutual Insurance Company.

As part of its plans to continue to significantly grow its property/casualty revenues, Nationwide intends to take advantage of its multi-channel presence to respond to changing customer preferences. The group expects to use multiple access points to attract new customers with acquisitions such as the ALLIED companies and Nationwide Insurance Company of America. While offering new outlets to customers, the group expects its exclusive and independent agents to remain a key part of its growth strategy. Additional growth is planned by expanding existing distribution channels, comprised of exclusive and independent agents, into areas where Nationwide has little or no presence supplemented by using multiple access points such as direct response, the Internet, and greater employer or group endorsements of Nationwide products. In furtherance of this strategy, in January 2009, the group completed the privatization of Nationwide Financial Services, Inc. (NFS), the intermediate parent holding company of its life insurance subsidiaries. The increased cultural alignment brought about by the privatization is expected to strengthen the group's competitive position, facilitate a more integrated, focused customer-centric view and enhance delivery of Nationwide's "On Your Side" promise.

The Life & Retirement Savings segment, led by NFS and its subsidiaries, Nationwide Life and Nationwide Life and Annuity Insurance Companies, provides long-term savings and retirement products including variable annuities, fixed annuities and life insurance as well as pension products and administrative services. These products are distributed through financial planners, financial institutions, pension plan administrators, stockbrokers and Nationwide's exclusive sales representatives and agency force.

2009 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

Product Line	—Premiums Written—		% of Total NPW	Pure Loss Ratio	Loss & LAE Res.
	Direct	Net			
Priv Pass Auto Liab.....	1,493,625	3,705,449	30.3	64.7	2,914,772
Auto Physical	1,090,295	2,543,936	20.8	57.4	111,306
Homeowners.....	194,271	2,174,819	17.8	68.5	571,484
Com'l MultiPeril.....	259,401	1,177,795	9.6	60.1	1,374,073
Oth Liab Occur	133,041	749,765	6.1	52.2	1,646,534
Comm'l Auto Liab.....	257,857	618,039	5.1	60.7	911,835
Farmowners	170,190	193,964	1.6	49.7	85,436
All Other.....	196,680	1,049,930	8.6	48.9	946,651
Totals.....	3,795,360	12,213,697	100.0	60.8	8,562,091

Geographical breakdown of direct premium writings (\$000): North Carolina, \$548,023 (14.4%); Pennsylvania, \$403,008 (10.6%); Virginia, \$329,793 (8.7%); California, \$265,827 (7.0%); Ohio, \$232,883 (6.1%); Maryland, \$228,374 (6.0%); Texas, \$208,541 (5.5%); West Virginia, \$194,657 (5.1%); 43 other jurisdictions, \$1,384,255 (36.5%).

FINANCIAL PERFORMANCE

The following text is derived from the report of Nationwide Group.

Overall Earnings: Nationwide's earnings fluctuated over the past five years due to underwriting losses, interest rate fluctuations and the variability of its affiliated investments. The group's average five-year pre-tax operating and total returns on revenue lagged the composite. Total returns were highly influenced by the unrealized capital losses on the group's common stock portfolio and its affiliated investments, primarily NFS, and those investment losses arising from the financial markets distress that prevailed during the latter part of 2008.

Operating results reflected management's adherence to strict underwriting principles and increased rates, primarily on its personal lines book of business. Consequently, earnings in the group's core lines of business improved as rate increases developed through earned premiums. Management also implemented underwriting and agency management strategies that included re-underwriting initiatives, risk segmentation and technological enhancements that were designed to sustain positive underwriting results. In addition, the group continued to expand its customer access points, diversify its spread of risk to the Midwest and western portions of the U.S. and re-focused on its core competencies. However, earnings were impacted by the additional, albeit declining level of, A&E reserving performed in each of the past five years, and by the significant underwriting losses suffered from Hurricane Wilma in 2005 and a series of storms in 2008, particularly Hurricane Ike, and 2009.

The group's diversified fixed-income portfolio produced average five-year pre-tax investment yields and total investment returns that were comparable to the composite and a robust stream of investment income that offset underwriting losses except in 2008. In addition, while realized capital gains supported operating earnings in the earliest four of the past five years, significant unrealized losses were reported in 2007 through 2009. Nationwide's common stocks and sizable affiliated holdings somewhat limited its average return on invested assets, and the volatility in the value of its NFS ownership impacted capitalization over the past five years.

PROFITABILITY ANALYSIS

Period Ending	Company				Industry Composite			
	Pretax ROR (%)	Return on PHS	Comb. Ratio	Oper. Ratio	Pretax ROR (%)	Return on PHS	Comb. Ratio	Oper. Ratio
2005	10.4	7.0	96.1	91.0	10.4	11.9	97.2	90.0
2006	12.4	25.8	93.5	87.5	15.6	18.3	92.7	84.7
2007	8.2	3.3	98.2	92.9	12.4	11.1	96.5	88.1
2008	-0.9	-5.9	107.0	102.0	4.0	-5.5	103.5	96.9
2009	0.6	-13.7	104.4	100.8	...	...	...	...
5-Yr	6.1	2.7	99.8	94.8	...	...	...	...

Underwriting Income: Nationwide's underwriting performance was impacted by competitive market conditions, escalating loss costs and significant weather-related losses causing its average five-year combined ratio to lag the composite. The group's volatile underwriting results reflect the impact of Hurricane Wilma and the asbestos and environmental (A&E) reserve changes of 2005 that added several points to that year's combined ratio. Underwriting performance improved in 2006 and, to a lesser degree, 2007 due to their benign hurricane seasons and moderating levels of additional A&E reserving, only to deteriorate again in 2008 due to significant weather-related losses, particularly Hurricane Ike. The impact of the group's exposure to severe weather-related events on its underwriting results was again demonstrated in 2009, primarily attributable to a series of severe, non-cat storms.

The group's operating expenses reflect its decentralized operating structure while loss and loss adjustment expenses are closely controlled. Core underwriting results were impacted by increased automobile loss costs which, several times during this period, outpaced premium rate increases. However, the group steadily increased automobile rates and tightened underwriting guidelines, which tempered the loss experience. In addition, loss frequency and severity related to its commercial property book of business increased during the past five years. This commercial business was subject to rate increases, re-underwriting initiatives and refined risk segmentation. These actions, as well as management's efforts to focus on Nationwide's core personal and main-street commercial lines of business had a positive influence on the group's underwriting results.

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However, the additional reserving of A&E claims continued to impact the group's underwriting results. These reserves were recorded on Nationwide Indemnity Company which allows management to better monitor this aspect of the group's loss reserve development. In 2005, the total reserves were strengthened by approximately \$568 million, by \$163 million in 2006, by \$215 million in 2007, \$77 million in 2008 and \$22 million in 2009 following annual loss reserve development reviews. Also, the majority of the group's Florida hurricane exposure is confined to Nationwide Insurance Company of Florida (NICOFL), which was unfavorably impacted by losses from Hurricane Wilma in 2005.

Due to its decentralized organizational structure, the group has been able to focus on specific target markets and establish solid platforms for running its multiple distribution network and geographic diversification strategy throughout the United States. Furthermore, the group continued to acquire small- to medium-size insurance organizations, such as THI Holdings' non-standard automobile book of business in 2003, which enhanced the group's product distribution network. The increased cultural alignment brought about by the privatization of NFS in January 2009 is expected to strengthen the group's competitive position, facilitate a more integrated, focused customer-centric view and enhance delivery of Nationwide's "On Your Side" promise. The group's underwriting results will continue to be influenced by weather-related events, competitive market conditions and legislative decisions.

UNDERWRITING EXPERIENCE

Period Ending	Net Undrw Income (\$000)	Loss Ratios			Expense Ratios			Div. Pol.	Comb. Ratio
		Pure Loss	LAE	Loss & LAE	Net Comm.	Other Exp.	Total Exp.		
2005	386,315	54.7	11.1	65.8	14.8	15.4	30.2	0.0	96.1
2006	755,085	49.8	11.0	60.8	14.9	17.8	32.7	0.1	93.5
2007	213,845	53.7	10.6	64.3	15.4	18.5	33.9	0.1	98.2
2008	-902,246	63.8	10.9	74.7	15.3	16.9	32.2	0.1	107.0
2009	-492,706	60.8	10.6	71.4	15.3	17.7	33.0	0.0	104.4
5-Yr	...	56.6	10.8	67.4	15.2	17.3	32.4	0.1	99.8

Investment Income: Nationwide's invested asset base generated a reliable stream of investment income that offset the total underwriting losses reported over the past five years except in 2008. Investment yields and total investment returns were impacted by the group's substantial holdings of fixed income securities and the level of affiliated investments, however, were comparable to the composite average of the past five years. The group's investment portfolio primarily consists of high-quality bonds followed by affiliated investments and real estate and mortgages. Affiliated investments represent nearly 17% of invested assets, primarily due to the group's ownership of Nationwide Financial Services, Inc. (NFS), the intermediate holding company of its life insurance subsidiaries. Investment income is expected to decline in the near term in view of current market conditions coupled with a lower invested asset base attributable to the funding of the NFS privatization transaction.

INVESTMENT INCOME ANALYSIS (\$000)

Period Ending	Company						Industry Composite	
	Net Inv. Income	Realized Capital Gains	Unrealized Capital Gains	Inv. Inc. (%)	Inv. Yield (%)	Total Return (%)	Inv. Inc. (%)	Inv. Yield (%)
2005	622,542	28,236	-98,518	43.9	3.4	3.0	8.8	4.4
2006	777,426	-6,898	1,382,328	24.9	3.9	11.1	13.4	4.7
2007	694,785	79,760	-451,771	-10.6	3.2	1.5	5.9	4.7
2008	636,141	397,073	-1,208,498	-8.4	3.0	-0.8	-22.1	3.8
2009	449,802	-193,717	-1,450,436	-29.3	2.1	-5.4	...	...
5-Yr	...	...	...	0.5	3.1	1.6	...	...

INVESTMENT PORTFOLIO ANALYSIS

Asset Class	2009 Inv. Assets (\$000)		% of Invested Assets		Annual % Change
	2009	2008	2009	2008	
Long-term bonds	9,460,140	44.0	39.6	8.9	
Stocks	293,126	1.4	1.9	-29.8	
Affiliated Investments	7,688,730	35.7	37.6	-6.6	
Other Inv Assets	4,076,118	18.9	20.9	-10.9	
Total	21,518,114	100.0	100.0	-1.8	

2009 BOND PORTFOLIO ANALYSIS

Asset Class	% of Total Bonds	Mkt. Val to Stmt Val (%)	Avg. Maturity (Yrs)	Class 1-2 (%)	Class 3-6 (%)	Struc. Secur. (%)	Struc. Secur. (% of PHS)
Governments	21.4	3.5	7.3	100.0	...	...	...
States, terr & poss.	11.0	5.5	9.0	100.0	...	...	...
Special Revenue	25.7	3.3	9.7	99.4	0.6	7.9	2.0
Corporates	41.9	-0.6	5.8	86.8	13.2	35.2	14.8
Total all bonds	100.0	2.0	7.5	94.3	5.7	16.8	16.8

CAPITALIZATION

The following text is derived from the report of Nationwide Group.

Nationwide Group's capitalization, as evidenced by its Best's Capital Adequacy Ratio (BCAR) supports the current rating. This capital position reflects the equity embedded in Nationwide's unearned premium and loss reserves offset slightly by its historically elevated underwriting and investment leverage positions. Comprehensive reinsurance coverage and a surplus note program help to maintain Nationwide's net, after-tax probable maximum loss (PML) expected to arise from a 100-year hurricane event to less than 9% of reported policyholders' surplus.

In prior years, the group's surplus was adversely impacted primarily by realized and unrealized capital losses on both affiliated and unaffiliated equity holdings; however, improved operating performance and capital gains produced increases in surplus in the earliest three of the past five years. In 2005, Nationwide Mutual made capital contributions of \$400 million to Nationwide Indemnity Company (NIC) to provide protection against adverse loss development of its A&E exposure and to support discontinued operations and \$150 million to Nationwide Insurance Company of Florida (NICOFL) to partially replace surplus lost following Hurricane Wilma. Surplus declined in 2008 due to significant losses from a series of severe weather-related events, particularly Hurricane Ike, and the capital investment losses suffered as a result of the financial markets distress that prevailed during the latter part of the year. These losses were partly offset by the issuance of a \$400 million surplus note in December 2008. Surplus also declined precipitously in early 2009 accompanying the privatization of Nationwide Financial Services, Inc. (NFS), and was partly offset by the issuance of a \$700 million surplus note in August 2009.

Nationwide Mutual currently has five surplus notes outstanding with an aggregate value of \$2.2 billion, the proceeds of which were used to fund new business growth and for other general business purposes. The contingent note previously issued by the special-purpose vehicle, North Front Pass-Through Trust, was exchanged for the \$400 million surplus note issued in December 2008. Nationwide Mutual may issue additional notes and/or establish other contingent note programs in support of the group's ongoing insurance operations.

CAPITAL GENERATION ANALYSIS (\$000)

Period Ending	Source of Surplus Growth					PHS Growth (%)
	Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital	Other, Net of Tax	Change in PHS	
2005	1,254,773	-70,282	-119	-499,752	684,620	9.0
2006	1,587,136	1,375,430	-3,359	-419,069	2,540,139	30.7
2007	1,070,529	-372,011	...	-143,024	555,495	5.1
2008	-115,670	-811,426	400,000	45,370	-481,726	-4.2
2009	72,689	-1,644,153	700,000	-533,224	-1,404,687	-12.9
5-Yr	3,869,458	-1,522,441	1,096,522	-1,549,699	1,893,840	...

QUALITY OF SURPLUS (\$000)

Period Ending	Year-End PHS	% of PHS			Dividend Requirements		
		Cap. Stock/Contrib.	Other Surplus	Unassigned Surplus	Stockholder Divs	Div. To POI (%)	Div. To Net Inc. (%)
2005	8,265,823	...	13.2	86.8	...	...	...
2006	10,805,962	...	10.0	90.0
2007	11,361,457	...	9.6	90.4
2008	10,879,731	...	15.7	84.3
2009	9,475,043	...	25.2	74.8

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LEVERAGE ANALYSIS

Period Ending	Company				Industry Composite			
	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.
2005	1.5	0.9	3.7	3.8	1.3	0.8	3.0	3.3
2006	1.2	0.7	2.8	2.9	1.1	0.7	2.5	2.7
2007	1.1	0.7	2.7	2.9	1.1	0.7	2.5	2.7
2008	1.2	0.8	2.8	2.9	1.2	0.8	2.8	3.0
2009	1.3	0.9	3.1	3.3	...	...	...	...

Current BCAR: 167.2

PREMIUM COMPOSITION & GROWTH ANALYSIS

Period Ending	DPW		GPW		NPW		NPE	
	(\$000)	(% Chg)	(\$000)	(% Chg)	(\$000)	(% Chg)	(\$000)	(% Chg)
2005	5,113,433	2.5	15,370,285	4.5	12,391,031	5.7	12,120,539	6.8
2006	4,921,140	-3.8	16,433,521	6.9	13,057,682	5.4	12,834,556	5.9
2007	4,524,133	-8.1	16,462,185	0.2	13,052,808	0.0	12,996,625	1.3
2008	4,162,310	-8.0	16,140,961	-2.0	12,783,169	-2.1	12,755,823	-1.9
2009	3,795,360	-8.8	15,512,016	-3.9	12,213,697	-4.5	12,369,234	-3.0
5-Yr CAGR	...	-5.3	...	1.1	...	0.8	...	1.7
5-Yr Chg	...	-23.9	...	5.4	...	4.2	...	9.0

Reserve Quality: Nationwide's loss and LAE reserve development was somewhat distorted due to the inclusion of both ongoing and discontinued business. While the runoff operations of the NIC subsidiary and NICOF's largely unfavorable loss maturation adversely impacted the overall group's loss development, other ongoing operations generally resulted in the reporting of mostly modest redundancies in recent calendar and accident years.

According to A.M. Best's estimates, Nationwide Group ranks among the top five insurers in the nation with an approximate 2.2% historical market share in commercial lines that are exposed to ongoing A&E claims emergence. Much of Nationwide's potential A&E liability exposure stems from policies assumed through various reinsurance agreements and from a former affiliate. On December 31, 1998, Nationwide Indemnity assumed loss and loss adjustment expense (LAE) reserves totaling \$2 billion as a result of two loss portfolio transfers. First, the company assumed from the Wausau Companies, liability for all losses and LAE related to its discontinued operations totaling nearly \$1.4 billion including A&E reserves of approximately \$646 million. In addition, the company assumed from Nationwide Mutual Insurance Company liability for all losses and LAE related to business Nationwide Mutual assumed from National Casualty Company, an affiliate, and certain other assumed contracts as defined in the reinsurance contract. The total amount transferred, which is primarily reserves for A&E claims, was approximately \$676 million. Assumption of these two portfolios established Nationwide Indemnity as the runoff entity for Nationwide's discontinued operations.

Nationwide initially completed a ground-up analysis of its ultimate A&E liability in 2004 and continues to monitor its A&E loss development. The analysis incorporated several methods of market-share modeling of emergence patterns, as well as a detailed analysis of policy limits and exposures conducted by an internal Loss Reserve Working Group (LRWG). As a result of this study, Nationwide Indemnity strengthened its A&E reserves by approximately \$568 million in 2005, \$163 million in 2006, \$215 million in 2007, \$77 million in 2008 and \$22 million in 2009. In light of the ongoing litigation surrounding A&E claims, the potential for further adverse development remains.

LOSS & ALAE RESERVE DEVELOP.: CALENDAR YEAR (\$000)

Calendar Year	Orig. Loss Reserves	Developed Reserves Thru '09	Develop. Orig. (%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @12/09	Unpaid Res. to Develop. (%)
	2004	6,468,922	6,344,885	-1.9	-1.6	55.9	934,226	14.7
2005	7,104,289	6,760,760	-4.8	-4.2	55.8	1,249,462	18.5
2006	7,290,723	7,203,634	-1.2	-0.8	56.1	1,836,554	25.5
2007	7,592,190	7,485,104	-1.4	-0.9	57.6	2,954,710	39.5
2008	8,184,143	8,070,335	-1.4	-1.0	63.3	4,780,771	59.2
2009	8,283,984	8,283,984	...	...	67.0	8,283,984	100.0

LOSS & ALAE RESERVE DEVELOP.: ACCIDENT YEAR (\$000)

Accident Year	Orig. Loss Reserves	Developed Reserves Thru '09	Develop. to Orig. (%)	Unpaid Reserves @12/09	Acc. Yr Loss Ratio	Acc. Yr Comb Ratio
	2004	2,862,084	2,673,138	-6.6	174,090	63.1	91.9
2005	3,154,338	2,982,030	-5.5	315,236	63.7	94.0
2006	3,193,586	3,103,676	-2.8	587,092	64.1	96.8
2007	3,365,165	3,303,870	-1.8	1,118,156	62.3	96.2
2008	3,531,084	3,593,320	1.8	1,826,061	74.5	106.8
2009	3,503,213	3,503,213	...	3,503,213	71.8	104.9

ASBESTOS & ENVIRONMENTAL (A&E) RESERVE ANALYSIS

Year	Company				Industry Composite				
	Net A&E Reserve (\$000)	Reserve Retention (%)	Net IBNR Mix (%)	Survival Ratio (3yr)	Comb Ratio Impact (1yr)	Comb Ratio Impact (3yr)	Survival Ratio (3yr)	Comb Ratio Impact (1yr)	Comb Ratio Impact (3yr)
2005	28,754	10.1	70.2	...	0.0	...	...	1.0	...
2006	32,372	12.8	75.9	...	0.1	...	8.0	0.5	0.9
2007	28,802	10.5	74.1	6.7	0.0	0.0	8.5	0.7	0.7
2008	27,696	9.6	77.1	7.7	0.0	0.0	7.4	0.3	0.5
2009	28,299	10.8	75.4	8.7	0.0	0.0	...	...	...

CEDED REINSURANCE ANALYSIS (\$000)

Period Ending	Company				Industry Composite			
	Ceded Reins. Total	Bus. Ret. (%)	Reins. to PHS (%)	Ceded Reins. to PHS (%)	Bus. Ret. (%)	Reins. to PHS (%)	Ceded Reins. to PHS (%)	
2005	1,184,294	98.1	11.4	14.3	95.0	19.4	27.5	
2006	1,194,122	98.0	8.6	11.1	95.5	13.7	20.5	
2007	1,253,734	97.7	8.4	11.0	95.1	12.2	19.3	
2008	1,280,837	97.6	8.8	11.8	95.2	14.9	24.0	
2009	1,368,128	97.0	10.4	14.4	...	...	...

2009 REINSURANCE RECOVERABLES (\$000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates.....	1,386,786	1,232,576	1,209,331	51,065	3,879,758
Foreign Affiliates.....	...	...	332	...	332
US Insurers.....	235,572	30,302	10,466	-3,009	273,331
Pool/Associations.....	428,663	207,320	36,598	...	672,581
Other Non-US.....	26,145	10,281	6,448	...	42,874
Total (ex US Affils).....	690,380	247,903	53,844	-3,009	989,118
Grand Total.....	2,077,166	1,480,479	1,263,175	48,056	4,868,876

* Includes Commissions less Funds Withheld

Investment Leverage: Nationwide's current holdings of common stock, other investments and real estate results in non-affiliated investment leverage that remains lower than the composite. However, due to the group's ownership of Nationwide Financial Services, Inc. (NFS), the intermediate holding company of its life insurance subsidiaries, its historically elevated level of affiliated investment leverage remains at approximately 40% of policyholders' surplus.

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

Period Ending	Company					Industry Composite		
	Class 3-6 Bonds	Real Estate/Mtg.	Other Invested Assets	Common Stocks	Non-Affil. Inv. Lev.	Affil. Inv.	Class 3-6 Bonds	Common Stocks
2005	7.1	9.3	14.9	29.9	61.2	84.7	4.6	25.9
2006	4.9	7.5	10.6	26.1	49.1	75.4	3.7	27.4
2007	4.2	7.5	8.0	16.2	35.8	71.3	3.6	22.9
2008	6.3	7.3	11.1	1.3	25.9	75.7	3.7	15.3
2009	5.7	8.3	23.0	0.7	37.7	81.1	...	...

LIQUIDITY

The following text is derived from the report of Nationwide Group.

Best's Rating Report

All of Nationwide's measures of liquidity (quick, current and overall ratios) lagged the composite average over the past five years. Liquidity was enhanced by the generally positive underwriting and operating cash flows over the last five years. The group's invested assets are predominantly held in the form of fixed-income securities that provide an adequate rate of return and have maturities that closely match the expected payout of losses and expenses. In addition, Nationwide Mutual may issue surplus notes and/or establish contingent note programs, should the need arise.

LIQUIDITY ANALYSIS

Period Ending	Company			Industry Composite				
	Quick Liq. (%)	Current Liq. (%)	Overall Liq. (%)	Gross Agents Bal. to PHS (%)	Quick Liq. (%)	Current Liq. (%)	Overall Liq. (%)	Gross Agents Bal. to PHS (%)
2005	14.9	70.2	146.8	26.6	28.4	119.1	158.8	9.7
2006	20.4	80.6	162.7	11.7	32.9	129.1	170.7	7.2
2007	14.4	79.8	163.3	10.5	32.5	129.1	172.1	6.9
2008	19.1	74.8	161.1	14.1	25.5	116.2	163.2	8.5
2009	14.2	76.8	153.4	15.8	...	...	...	...

CASH FLOW ANALYSIS (\$000)

Period Ending	Company			Industry Composite			
	Underw Cash Flow	Oper. Cash Flow	Net Cash Flow	Underw Cash Flow (%)	Oper. Cash Flow (%)	Underw Cash Flow (%)	Oper. Cash Flow (%)
2005	1,196,476	1,445,928	-405,641	110.9	112.5	107.3	111.4
2006	1,029,487	1,223,557	646,700	108.2	109.3	107.5	112.1
2007	502,809	520,067	-555,753	104.0	103.9	105.3	109.9
2008	-498,883	648,894	2,392,898	96.2	105.0	97.7	103.8
2009	-493,405	327,638	-1,506,321	96.1	102.6	...	...

HISTORY

This company, incorporated on December 16, 1925 under the laws of Ohio, began business on April 14, 1926 under the sponsorship of The Ohio Farm Bureau Federation to provide automobile insurance for Farm Bureau members at cost.

Operations were conducted under the title Farm Bureau Mutual Automobile Insurance Company until September 1, 1955. On that date, the present corporate title was adopted.

MANAGEMENT

Officers: Chairman of the Board, Keith W. Eckel; Chief Executive Officer, Stephen S. Rasmussen; Presidents and Chief Operating Officers, W. Kim Austen (Allied), Mark A. Pizzi (Customer Choice Distribution), Kirt A. Walker (Nationwide Financial); President, Katherine A. Mabe (Property & Casualty Specialty Products Division); Executive Vice President and Chief Financial Officer, Mark R. Thresher; Executive Vice President and Chief Information Officer, Michael C. Keller; Executive Vice President and Chief Marketing Officer, James R. Lyski; Executive Vice President and Chief Administrative Officer, Terri L. Hill; Executive Vice President and Chief Legal Officer, Patricia R. Hatler (Chief Governance Officer); Executive Vice Presidents, Lawrence A. Hilsheimer, Gale V. King (Chief Human Resources Officer), Michael D. Miller; Senior Vice President, Treasurer and Chief Investment Officer, Harry H. Hallowell; Senior Vice President and Chief Compliance Officer, Carol Baldwin Moody; Senior Vice Presidents, Paul D. Ballew, David A. Bano, Pamela A. Biesecker, William J. Burke, Roger A. Craig, Robert J. Dickson, Thomas W. Dietrich, Martha L. Frye, Kim R. Geyer, Peter A. Golato, J. Lynn Greenstein, Susan J. Gueli, Jennifer M. Hanley, Gordon E. Hecker, Matthew Jauchius, Michael A. Lex, Michael W. Mahaffey, Kai V. Monahan, Gregory S. Moran, Sandra L. Neely, Robert J. Puccio, Jeffrey D. Rouch, Randolph C. Wiseman; Secretary, Robert W. Horner, III.

Directors: Lewis J. Alphin, James B. Bachmann, Arthur I. Bell, Timothy J. Corcoran, Yvonne M. Curl, Kenneth D. Davis, Keith W. Eckel, Fred C. Finney, Daniel T. Kelley, M. Diane Koken, Lydia M. Marshall, Terry W. McClure, Barry J. Nalebuff, Ralph M. Paige, Stephen S. Rasmussen, Jeffrey W. Zellers.

REGULATORY

An examination of the financial condition was made as of December 31, 2006 by the Insurance Department of Ohio. The 2009 annual independent audit of the company was conducted by KPMG, LLP. The annual statement of actuarial opinion is provided by Kevin C. McAllister, FCAS, MAAA, KPMG, LLP.

Territory: The company is licensed in the District of Columbia, U.S. Virgin Islands, AL, AK, AZ, AR, CA, CO, CT, DE, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NM, NY, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI and WY. It is also licensed in Canada in the provinces of British Columbia and Ontario. It also operates on a surplus lines or non-admitted basis in New Jersey.

REINSURANCE

The following text is derived from the report of Nationwide Group.

The company is a party to various reinsurance agreements with both affiliates and non-affiliates.

Affiliate agreements include the Nationwide Pool (a 100% quota share reinsurance agreement with certain of its affiliated property and casualty companies) and three 90% quota share reinsurance agreements with certain of its affiliated property/casualty companies.

The company also has various ceded reinsurance agreements in force with non-affiliates to protect itself from potential losses in excess of what management concludes are reasonable retentions of risk. Nationwide's comprehensive reinsurance program provides excess coverage for individual property and casualty losses and for property-catastrophe loss. The Nationwide Group also maintains various quota share agreements and purchases facultative reinsurance for its largest risks.

Nationwide's national property catastrophe treaty provides total coverage of approximately \$1 billion excess \$750 million per occurrence. In 2008, Nationwide issued a three-year, multi-peril catastrophe bond providing \$250 million in total indemnity protection. A second treaty with coverage of \$750 million excess \$500 million per occurrence provides additional protection for the southeastern states, which constitute Nationwide's peak geographic risk. These three programs cover all Nationwide legal entities with the exception of the Scottsdale Group.

Nationwide Insurance Company of Florida (NICOF), a wholly owned subsidiary of Nationwide Mutual that sells homeowners insurance in Florida, is reinsured through the Florida Hurricane Catastrophe Fund (FHCF) and through an internal treaty with Nationwide Mutual, which provide combined reinsurance protection of \$186 million excess retention of \$32 million. Florida catastrophe losses are also covered by the National property-catastrophe treaty and the catastrophe bond.

BALANCE SHEET

ADMITTED ASSETS (\$000)

	12/31/09	12/31/08	'09%	'08%
Bonds.....	9,460,140	8,686,159	34.7	30.1
Preferred stock.....	223,610	278,319	0.8	1.0
Common stock.....	69,517	139,135	0.3	0.5
Cash & short-term invest.....	955,693	2,462,013	3.5	8.5
Real estate, investment.....	60,434	49,287	0.2	0.2
Real estate, offices.....	477,706	502,236	1.8	1.7
Other non-affil inv asset.....	2,929,801	1,952,300	10.7	6.8
Investments in affiliates.....	7,211,024	7,732,523	26.5	26.8
Total invested assets.....	21,387,925	21,801,973	78.5	75.6
Premium balances.....	3,621,566	3,752,932	13.3	13.0
Accrued interest.....	130,189	112,986	0.5	0.4
All other assets.....	2,122,315	3,168,057	7.8	11.0
Total assets.....	27,261,995	28,835,947	100.0	100.0

LIABILITIES & SURPLUS (\$000)

	12/31/09	12/31/08	'09%	'08%
Loss & LAE reserves.....	8,562,091	8,478,531	31.4	29.4
Unearned premiums.....	4,757,791	4,913,475	17.5	17.0
Conditional reserve funds.....	12,936	61,583	0.0	0.2
All other liabilities.....	4,454,134	4,502,627	16.3	15.6
Total liabilities.....	17,786,952	17,956,217	65.2	62.3
Surplus notes.....	2,200,000	1,500,000	8.1	5.2
Capital & assigned surplus.....	186,473	205,011	0.7	0.7
Unassigned surplus.....	7,088,571	9,174,720	26.0	31.8
Total policyholders' surplus.....	9,475,043	10,879,731	34.8	37.7
Total liabilities & surplus.....	27,261,995	28,835,947	100.0	100.0

Best's Rating Report

SUMMARY OF 2009 OPERATIONS (\$000)

Statement of Income	12/31/09	Funds Provided from Operations	12/31/09
Premiums earned.....	12,369,234	Premiums collected.....	12,317,341
Losses incurred	7,521,025	Benefit & loss related pmts	7,432,649
LAE incurred	1,305,129	LAE & undrw expenses paid	5,370,126
Undrw expenses incurred	4,030,790	Other income/expense ...	...
Other expense incurred..	595	Div to policyholders	7,971
Div to policyholders	4,402	Undrw cash flow	-493,405
Net underwriting income	-492,706	Investment income.....	449,335
Net investment income	449,802	Other income/expense ...	97,893
Other income/expense ...	115,594	Pre-tax cash operations	53,823
Pre-tax oper income ...	72,689	Income taxes pd (recov)...	-273,814
Realized capital gains.....	-193,717	Net oper cash flow.....	327,638
Income taxes incurred	-176,262		
Net income	55,235		

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The company information appearing in this pamphlet is an extract from the complete company report prepared by the A.M. Best Company.

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D Poor
E Under Regulatory Supervision
F In Liquidation
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