

**STATEMENT OF ADDITIONAL INFORMATION FOR THE  
SURVIVORSHIP VARIABLE UNIVERSAL LIFE**

**Last Survivor Flexible Premium Variable Universal Life Contract**

**Issued By:**

**MIDLAND NATIONAL LIFE INSURANCE COMPANY  
(through the Midland National Life Separate Account A)**

This Statement of Additional Information (“SAI”) expands upon subjects discussed in the current prospectus for the Survivorship Variable Universal Life Insurance Contract (“contract”) issued by Midland National Life Insurance Company. You may obtain a free copy of the prospectus dated October 1, 2012, by contacting Us at:

Midland National Life Insurance Company  
One Sammons Plaza  
Sioux Falls, SD 57193  
(605) 373-2207 (telephone)  
(800) 272-1642 (toll-free telephone)  
(877) 841-6709 (toll-free facsimile for transaction requests)  
(877) 208-6136 (toll-free facsimile for service requests)

Terms used in this SAI have the same meanings as in the current prospectus for the contract.

**This statement of additional information is not a prospectus and should be read only in conjunction with the prospectus for this contract and the prospectuses for the 58 Portfolios currently available in the contract.**

**Dated October 1, 2012**

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## **THE CONTRACT**

The entire contract is made up of the contract, including any supplemental benefit, schedules, the signed written application for the contract, and any attached supplemental written application(s). We assume that each statement made in the written application is made to the best of the knowledge and belief of the person(s) who made them and, in the absence of fraud, those statements are deemed to be representations and not warranties. We cannot use any statement to deny a claim or to void the contract unless it is contained in a written application that is made part of the contract by attachment or insertion.

### **CONTRACT OWNER**

The contract owners are the Insureds unless another individual has been named in the application. As contract owner, You are entitled to exercise all rights under Your contract as long as at least one insured is alive. Without any beneficiary consent You can:

1. Transfer ownership of Your contract by absolute assignment;
2. Designate, change or revoke a contingent owner; or
3. Change any revocable beneficiary during the insured's lifetime.

With each irrevocable beneficiary's consent, You may:

1. Change the irrevocable beneficiary during the insured's lifetime;
2. Receive any benefit, exercise any right, and use any privilege granted by Your contract allowed by Us; or
3. Agree with Us to any change or amendment of Your contract.

If You die while at least one insured is alive, the contingent owner, if any, will become the owner. If there is no contingent owner, ownership will pass to Your estate.

There may be more than one owner, in which case, each owner will own this contract as joint tenants with right of survivorship unless otherwise stated.

### **DEATH BENEFIT**

As long as the contract is still in force, We will pay the death benefit to the beneficiary after the last surviving insured dies (outstanding indebtedness will be deducted from the proceeds). Federal tax law may require a greater death benefit than the one provided for in Your contract. This benefit is a percentage multiple of Your contract fund. You can choose between two death benefit corridor percentage tables. These percentages are applied to the contract fund at the death of the last surviving insured, and if that result is greater than the death benefit provided for in the contract, then it will be the death benefit amount paid.

The percentage is 250% up to age 40, and then the percentages generally decline as the insured person gets older. This alternative minimum death benefit will be the contract fund on the day the last surviving insured dies multiplied by the corridor percentage for the younger insured's age. For this purpose, age is the attained age (age last birthday) at the beginning of the contract year of the younger insured. (If the younger insured dies first, then the younger insured's nominal age is used; that is the age the younger insured would have attained if he or she were still alive at the death of the last surviving insured.)

You choose either a standard corridor percentage table or an enhanced corridor percentage table (both tables are available under either death benefit option 1 or option 2). The tables are the same for ages 0 through 85. The difference is that the enhanced corridor percentage table provides a higher multiple of Your contract funds for attained ages 86 through 94. As a result, Your beneficiaries may receive a larger death benefit if the last surviving insured dies when the younger insured's attained age (or nominal attained age) is between 86 and 94. However, this is not guaranteed to occur and You should run a hypothetical illustration for Your particular face amount and anticipated premium contribution levels to see how the death benefits and contract funds compare between the enhanced and standard corridor tables. Your actual death benefits will depend on Your actual contract fund and the younger insured's attained age (or nominal age) at the time of the death of the last surviving insured.

Once Your contract is issued, You can never change the corridor percentage table that You selected. The standard and the enhanced corridor percentage tables are shown below:

**Table of Corridor Percentages  
Based on Contract Fund**

<b>If the Insured Person's Age Is This</b>	<b>The Death Benefit Will Be At Least Equal To This Percent Of The Contract Fund</b>	<b>If the Insured Person's Age Is This</b>	<b>The Death Benefit Will Be At Least Equal To This Percent Of The Contract Fund</b>
0-40	250%	60	130%
41	243%	61	128%
42	236%	62	126%
43	229%	63	124%
44	222%	64	122%
45	215%	65	120%
46	209%	66	119%
47	203%	67	118%
48	197%	68	117%
49	191%	69	116%
50	185%	70	115%
51	178%	71	113%
52	171%	72	111%
53	164%	73	109%
54	157%	74	107%
55	150%	75-90	105%
56	146%	91	104%
57	142%	92	103%
58	138%	93	102%
59	134%	94	101%
		95-99	100%

These percentages are based on federal income tax law which require a minimum death benefit, in relation to contract fund, for your contract to qualify as life insurance.

**Enhanced Death Benefit  
Corridor Percentage Table**

<b>If the Insured Person's Age Is This</b>	<b>The Death Benefit Will Be At Least Equal To This Percent Of The Contract Fund</b>	<b>If the Insured Person's Age Is This</b>	<b>The Death Benefit Will Be At Least Equal To This Percent Of The Contract Fund</b>
0-40	250%	65	120%
41	243%	66	119%
42	236%	67	118%
43	229%	68	117%
44	222%	69	116%
45	215%	70	115%
46	209%	71	113%
47	203%	72	111%
48	197%	73	109%
49	191%	74	107%
50	185%	75- 85	105%
51	178%	82	109%
52	171%	87	113%
53	164%	88	118%
54	157%	89	122%
55	150%	90	126%
56	146%	91	121%
57	142%	92	115%
58	138%	93	110%
59	134%	94	105%
60	130%	95	100%
61	128%	96	100%
62	126%	97	100%
63	124%	98	100%
64	122%	99	100%

The following example will clarify how these factors work. Assume the younger Insured Person is 55 years old and the face amount is \$200,000. The “corridor percentage” at that age is 150%. Under Option 1, the death benefit will generally be \$200,000. However, when the contract fund is greater than \$133,333.33, the corridor percentage applies and the death benefit will be greater than \$200,000 (since 150% of \$133,333.33 equals \$200,000). In this case, at age 55, We multiply the contract fund by a factor of 150%. So if the contract fund were \$140,000, then the death benefit would be \$210,000.

Under Option 2, the death benefit is the face amount plus the contract fund. In this example, if the younger insured is 55 years old, the face amount is \$200,000, and the contract fund is \$400,000, then the death benefit would be \$600,000. This figure results from either: (a) adding the face amount to the contract fund or (b) multiplying the contract fund by the corridor percentage. For all contract funds higher than this level, the corridor percentage would apply. Therefore, for every \$1.00 added to the contract fund above \$400,000, the death benefit would increase by \$1.50 (at that age).

## **PAYMENT OPTIONS**

You may choose for contract benefits and other payments (such as the net cash surrender value or death benefit) to be paid immediately in one lump sum or in another form of payment. Payments under these options are not affected by the investment performance of any investment division. Instead, interest accrues pursuant to the option chosen. If You do not arrange for a specific form of payment before the last surviving insured dies, then the beneficiary will have this choice. However, if You do make an arrangement with Us for how the money will be paid, then the beneficiary cannot change Your choice. Payment options will also be subject to Our rules at the time of selection.

## **PREMIUM LIMITATIONS**

Federal law limits the premiums that can be paid if this contract is to qualify as life insurance for tax purposes. We will not accept a premium that would cause this limit to be exceeded. If We accept such a premium in error, We will refund it as soon as the error is discovered.

If a contract change is executed that causes this contract to exceed the maximum premium limits allowed by federal law, We will refund the excess premium when the total premiums paid exceed the federal limits.

We will accept any premium needed to keep this contract in force.

## **ABOUT US**

### **MIDLAND NATIONAL LIFE INSURANCE COMPANY**

We are Midland National Life Insurance Company, a stock life insurance company. We were organized, in 1906, in South Dakota, as a mutual life insurance company at that time named "The Dakota Mutual Life Insurance Company". We were reincorporated as a stock life insurance company in 1909. Our name "Midland National Life Insurance Company" was adopted in 1925. We redomesticated to Iowa in 1999. We are licensed to do business in 49 states, the District of Columbia, and Puerto Rico.

Midland National is a subsidiary of Sammons Enterprises, Inc., Dallas, Texas. Sammons has controlling or substantial stock interests in a large number of other companies engaged in the areas of insurance, corporate services, and industrial distribution.

**Our Financial Condition:** As an insurance company, we are required by state insurance regulation to hold a specified amount of reserves in order to meet all of the contractual obligations of Our General Account to our contractowners. We monitor our reserves so that we hold sufficient amounts to cover actual or expected contract and claims payments. It is important to note, however, that there is no guarantee that we will always be able to meet our claims-paying obligations, and that there are risks to purchasing any insurance product.

State insurance regulators also require insurance companies to maintain a minimum amount of capital, which acts as a cushion in the event that the insurer suffers a financial impairment, based on the inherent risks in the insurer's operations. These risks include those associated with losses that we may incur as the result of defaults on the payment of interest or principal on Our General Account assets, as well as the loss in market value of those investments. We may also experience liquidity risk if Our General Account assets cannot be readily converted into cash to meet obligations to our contractowners or to provide collateral necessary to finance Our business operations.

We encourage both existing and prospective contractowners to read and understand our financial statements, which are included in this Statement of Additional Information ("SAI").

### **OUR SEPARATE ACCOUNT A**

The “Separate Account” is Our Separate Account A, established under the insurance laws of the State of Iowa. It is a unit investment trust registered with the Securities and Exchange Commission (SEC) under the Investment Company Act of 1940 but **this registration does not involve any SEC supervision of its management or investment contracts.** The Separate Account meets the definition of a “Separate Account” under the federal securities laws. Income, gains and losses credited to, or charged against, the Separate Account reflects the investment experience of the Separate Account and not the investment experience of Midland National’s other assets. The assets of the Separate Account may not be used to pay any of Our other liabilities. We are obligated to pay all amounts guaranteed under the contract.

The Separate Account has a number of investment divisions, each of which invests in the shares of a corresponding portfolio of the funds. You may allocate part or all of Your net premiums in up to ten of the fifty-eight investment divisions of Our Separate Account at any one time.

### **OUR REPORTS TO CONTRACT OWNERS**

We currently intend to send You reports shortly after the end of the third, sixth, ninth, and twelfth contract months of each contract year that show:

- the current death benefit for Your contract,
- Your contract fund,
- information about investment divisions,
- the cash surrender value of Your contract,
- the amount of Your outstanding contract loans,
- the amount of any interest that You owe on the loan, and
- information about the current loan interest rate.

The annual report will show any transactions involving Your contract fund that occurred during the contract year. Transactions include Your premium allocations, Our deductions, and Your transfer or withdrawals. The annual or other periodic statements provide confirmations of certain regular, periodic items (such as monthly deductions and premium payments by Civil Service Allotment or automatic checking account deductions). We may change these reporting practices. Confirmations will be sent to You for transfers of amounts between investment divisions and certain other contract transactions.

Our report also contains information that is required by the insurance supervisory official in the jurisdiction in which this insurance contract is delivered.

We will send You semi-annual reports with financial information on the funds.

### **DIVIDENDS**

We do not pay any dividends on these contracts.

### **DISTRIBUTION OF THE CONTRACTS**

The contracts are offered to the public on a continuous basis, but we have discontinued the offering.

Sammons Securities Company, LLC (“Sammons Securities Company”) serves as principal underwriter for the contracts. Sammons Securities Company is a Delaware limited liability company and its home office is located at 4261 Park Road, Ann Arbor, Michigan 48103. Sammons Securities Company is an indirect, wholly-owned subsidiary of Sammons Enterprises, Inc. of Dallas, Texas, which in turn is the ultimate parent company of Midland National Life Insurance Company. Sammons Securities Company is registered as a broker-dealer with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as well as with the securities commissions in the states in which it operates, and is

a member of FINRA, Inc. Sammons Securities Company offers the contracts through its registered representatives. Sammons Securities Company is a member of the Securities Investor Protection Corporation. Sammons Securities Company also may enter into selling agreements with other broker-dealers (“selling firms”) and compensate them for their services. Registered representatives are appointed as Our insurance agents.

Sammons Securities Company received sales compensation with respect to these contracts and other variable life policies not included in this registration statement under the Midland National Life Separate Account A in the following amounts during the years indicated:

Fiscal year	Aggregate Amount of Commissions Paid to Sammons Securities Company *	Aggregate Amount of Commissions Retained by Sammons Securities Company*
2009	\$4,282,773	\$47,429
2010	\$3,349,631	\$36,540
2011	\$2,260,522	\$25,631

\* Includes total sales compensation paid to registered persons of Sammons Securities Company and an underwriting fee of 1.25% of first-year commissions paid to Sammons Securities Company for all of Midland National’s variable universal life insurance contracts under Separate Account A.

Sammons Securities Company passes through commissions it receives to selling firms for their sales and does not retain any portion of it in return for its services as distributor for the contracts. However, under the distribution agreement with Sammons Securities Company, We pay the following sales expenses:

- sales representative training allowances,
- deferred compensation and insurance benefits,
- advertising expenses, and
- all other expenses of distributing the contracts.

We and/or Sammons Securities Company may pay certain selling firms additional amounts for

- “preferred product” treatment of the contracts in their marketing programs, which may include marketing services and increased access to their sales representatives;
- sales promotions relating to the contracts;
- costs associated with sales conferences and educational seminars for their sales representatives; and
- other sales expenses incurred by them.

We and/or Sammons Securities Company may make bonus payments to certain selling firms based on aggregate sales or persistency standards. These additional payments are not offered to all selling firms, and the terms of any particular agreement governing the payments may vary among selling firms.

## **REGULATION**

We are regulated and supervised by the Iowa Insurance Department. We are subject to the insurance laws and regulations in every jurisdiction where We sell contracts. This contract has been filed with and, as necessary, approved by insurance officials in those states. The provisions of this contract may vary somewhat from jurisdiction to jurisdiction.

We submit annual reports on Our operations and finances to insurance officials in all the jurisdictions where We sell contracts. The officials are responsible for reviewing Our reports to be sure that We are financially sound and are complying with the applicable laws and regulations.

We are also subject to various federal securities laws and regulations with respect to the Separate Account and the contracts.



### **DISCOUNT FOR EMPLOYEES OF SAMMONS ENTERPRISES, INC.**

Employees of Sammons Enterprises, Inc. may receive a discount of up to 25% of first year premiums. Midland National is a subsidiary of Sammons Enterprises, Inc., and additional premium payments contributed solely by Us will be paid into the employee's contract during the first year. All other contract provisions will apply.

### **LEGAL MATTERS**

The law firm of Sutherland Asbill & Brennan LLP, Washington, DC, has provided certain legal advice relating to certain matters under the federal securities laws.

### **FINANCIAL MATTERS**

The financial statements of Midland National Life Separate Account A and Midland National Life Insurance Company, included in this SAI and the registration statement, have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, for the periods indicated in their report which appears in this SAI. The address for PricewaterhouseCoopers LLP is 699 Walnut Street, Suite 1300, Des Moines, IA 50309. The financial statements have been included in reliance upon reports given upon the authority of the firm as experts in accounting and auditing.

### **ADDITIONAL INFORMATION**

We have filed a Registration Statement relating to the Separate Account and the variable life insurance contract described in this SAI with the SEC. The Registration Statement, which is required by the Securities Act of 1933, includes additional information that is not required in this SAI under the rules and regulations of the SEC. If You would like additional information, then You may obtain it from the SEC's main office in Washington, DC. You will have to pay a fee for the material.

## **PERFORMANCE**

Performance information for the investment divisions may appear in reports and advertising to current and prospective owners. We base the performance information on the investment experience of the investment division and the funds. The information does not indicate or represent future performance. Total return quotations reflect changes in funds' share prices, the automatic reinvestment by the Separate Account of all distributions and the deduction of the mortality and expense risk charge. The quotations will not reflect deductions from premiums (the sales charge, premium tax charge, and any per premium expense charge), the monthly deduction from the contract fund (the expense charge, the cost of insurance charge, and any charges for additional benefits), the surrender charge, or other transaction charges. These fees and charges would have reduced the performance shown. Therefore, these returns do not show how actual investment performance will affect contract benefits. A cumulative total return reflects performance over a stated period of time. An average annual total return reflects the hypothetical annually compounded return that would have produced the same cumulative total return if the performance had been constant over the entire period. Average annual total returns tend to smooth out variations in an investment division's returns and are not the same as actual year-by-year results.

Midland National may advertise performance figures for the investment divisions based on the performance of a portfolio before the Separate Account commenced operations.

## **ILLUSTRATIONS**

Midland National may provide individual hypothetical illustrations of contract fund, cash surrender value, and death benefits based on the funds' historical investment returns. These illustrations will reflect the deduction of expenses in the funds and the deduction of contract charges, including the mortality and expense risk charge, the deductions from premiums, the monthly deduction from the contract fund and the surrender charge. The hypothetical illustrations are designed to show the performance that could have resulted if the contract had been in existence during the period illustrated and do not indicate what contract benefits will be in the future.

## **FINANCIAL STATEMENTS**

The financial statements of Midland National Life Insurance Company included in this Statement of Additional Information should be distinguished from the financial statements of the Midland National Life Separate Account A and should be considered only as bearing upon the ability of Midland National Life Insurance Company to meet its obligations under the contracts. They should not be considered as bearing upon the investment performance of the assets held in the Separate Account.

**MIDLAND NATIONAL LIFE INSURANCE  
COMPANY AND SUBSIDIARIES**

(a wholly owned subsidiary of Sammons Financial Group, Inc.)

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2011 and 2010**

# MIDLAND NATIONAL LIFE INSURANCE COMPANY AND SUBSIDIARIES

(a wholly owned subsidiary of Sammons Financial Group, Inc.)

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## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholder of  
Midland National Life Insurance Company and Subsidiaries

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of stockholder's equity, and of cash flows present fairly, in all material respects, the financial position of Midland National Life Insurance Company and Subsidiaries (the "Company") at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

March 28, 2012

# MIDLAND NATIONAL LIFE INSURANCE COMPANY AND SUBSIDIARIES

(a wholly owned subsidiary of Sammons Financial Group, Inc.)

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2011 and 2010

(Amounts in Thousands)

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Investments		
Fixed maturities, available for sale, at fair value	\$ 27,210,029	\$ 24,516,373
Equity securities, at fair value	406,809	424,953
Mortgage loans	490,031	247,133
Policy loans	340,731	333,186
Short-term investments	290,070	248,637
Derivative instruments	235,342	425,656
Other invested assets	889,972	983,630
Total investments	<u>29,862,984</u>	<u>27,179,568</u>
Cash	165,611	50,517
Accrued investment income	258,004	237,447
Deferred policy acquisition costs	1,397,148	1,502,244
Deferred sales inducements	374,354	455,628
Present value of future profits of acquired businesses	17,176	21,015
Federal income tax asset, net	-	58,019
Other receivables, other assets and property, plant and equipment	114,550	146,950
Reinsurance receivables	2,075,717	1,889,376
Separate account assets	884,513	1,001,274
Total assets	<u>\$ 35,150,057</u>	<u>\$ 32,542,038</u>
<b>LIABILITIES</b>		
Policyholder account balances	\$ 26,320,092	\$ 24,817,393
Policy benefit reserves	1,129,354	1,049,300
Policy claims and benefits payable	132,627	119,949
Repurchase agreements, other borrowings and collateral on derivative instruments	2,599,406	2,527,412
Derivative instruments	13,134	10,541
Federal income tax liability, net	340,860	-
Other liabilities	584,434	729,027
Separate account liabilities	884,513	1,001,274
Total liabilities	<u>32,004,420</u>	<u>30,254,896</u>
<b>STOCKHOLDER'S EQUITY</b>		
Common stock, \$1 par value, 1,000 shares authorized, issued and outstanding	2,549	2,549
Additional paid-in capital	354,208	335,907
Retained earnings	2,032,987	1,860,073
Accumulated other comprehensive income (loss)	755,893	88,613
Total stockholder's equity	<u>3,145,637</u>	<u>2,287,142</u>
Total liabilities and stockholder's equity	<u>\$ 35,150,057</u>	<u>\$ 32,542,038</u>

The accompanying notes are an integral part of the consolidated financial statements.

# MIDLAND NATIONAL LIFE INSURANCE COMPANY AND SUBSIDIARIES

(a wholly owned subsidiary of Sammons Financial Group, Inc.)

## CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 and 2009

(Amounts in Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>REVENUES</b>			
Premiums	\$ 164,718	\$ 146,850	\$ 147,415
Interest sensitive life and investment product charges	338,445	303,991	295,560
Net investment income	1,402,512	1,407,708	1,059,608
Net gains (losses) on derivatives and derivative instruments	5,767	191,371	(157,076)
Net unrealized gain from variable interest entity	-	-	35,795
Net realized investment gains	(8,206)	94,571	154,827
Total other-than-temporary impairment losses	(9,853)	(75,139)	(83,778)
Non-credit portion in other comprehensive income	2,326	3,557	12,307
Net impairment loss recognized in earnings	(7,527)	(71,582)	(71,471)
Other income	9,304	15,045	12,419
Total revenue	<u>1,905,013</u>	<u>2,087,954</u>	<u>1,477,077</u>
 <b>BENEFITS AND EXPENSES</b>			
Interest credited to policyholder account balances	816,565	881,856	541,266
Benefits incurred	261,976	302,497	238,071
Amortization of deferred sales inducements	78,438	80,765	60,246
Total benefits	<u>1,156,979</u>	<u>1,265,118</u>	<u>839,583</u>
Operating and other expenses (net of commissions and other expenses deferred)	139,279	116,552	162,648
Amortization of deferred policy acquisition costs and present value of future profits of acquired businesses	212,002	221,904	175,601
Total benefits and expenses	<u>1,508,260</u>	<u>1,603,574</u>	<u>1,177,832</u>
Income before income taxes	396,753	484,380	299,245
Income tax provision	109,147	131,908	102,308
Net income	<u>287,606</u>	<u>352,472</u>	<u>196,937</u>
Less: Net income attributable to noncontrolling interests (net of tax \$9,992 in 2009)	-	-	(57,373)
Net income attributable to Midland National Life Ins. Co.	<u>\$ 287,606</u>	<u>\$ 352,472</u>	<u>\$ 139,564</u>

The accompanying notes are an integral part of the consolidated financial statements.

**MIDLAND NATIONAL LIFE INSURANCE COMPANY AND SUBSIDIARIES**  
(a wholly owned subsidiary of Sammons Financial Group, Inc.)  
**CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY AND COMPREHENSIVE INCOME (LOSS)**  
**FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 and 2009**  
(Amounts in Thousands)

	Midland National Life Insurance Co. Stockholder's Equity						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Comprehensive Income	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Stockholder's Equity
<b>Balance, December 31, 2008</b>	\$ 2,549	\$ 318,707	\$ 1,504,864		\$ (781,910)	\$ 133,837	\$ 1,178,047
Cumulative effect of non-credit impairment losses from prior periods (net of tax (\$3,796))			7,050		(7,050)		-
Comprehensive income (loss)							
Net income			139,564	\$ 139,564		57,373	196,937
Other comprehensive income (loss)							
Net unrealized gain on available-for-sale investments, non-credit portion of OTTI, and certain interest rate swaps (net of tax \$165,204)				306,808	306,808		306,808
Pension liability (net of tax (\$1,200))				(2,229)	(2,229)		(2,229)
Post-retirement liability (net of tax \$340)				630	630		630
Comprehensive (loss)				\$ 444,773			
Equity transactions with noncontrolling interests, net Capital contribution		(16,880)				16,880	
Dividends paid on common stock			(51,617)			296,100	296,100
<b>Balance, December 31, 2009</b>	2,549	301,827	1,599,861		(483,751)	504,190	1,924,676
Deconsolidation of variable interest entity		16,880				(504,190)	(487,310)
Comprehensive income (loss)							
Net income			352,472	352,472			352,472
Other comprehensive income (loss)							
Net unrealized gain on available-for-sale investments non-credit portion of OTTI, and certain interest rate swaps (net of tax \$310,610)				576,847	576,847		576,847
Pension liability (net of tax (\$1,760))				(3,269)	(3,269)		(3,269)
Post-retirement liability (net of tax (\$654))				(1,214)	(1,214)		(1,214)
Comprehensive income				924,836			
Capital contribution		5,000					5,000
Employee stock ownership plan		12,200					12,200
Dividends paid on common stock			(92,260)				(92,260)
<b>Balance, December 31, 2010</b>	2,549	335,907	1,860,073		88,613	-	2,287,142
Comprehensive income (loss)							
Net income			287,606	287,606			287,606
Other comprehensive income (loss)							
Net unrealized gain on available-for-sale investments non-credit portion of OTTI, and certain interest rate swaps (net of tax \$363,131)				674,385	674,385		674,385
Pension liability (net of tax (\$1,755))				(3,259)	(3,259)		(3,259)
Post-retirement liability (net of tax (\$2,071))				(3,845)	(3,845)		(3,845)
Comprehensive income				\$ 954,886			
Capital contribution		5,000					5,000
Employee stock ownership plan		13,301					13,301
Dividends paid on common stock			(114,692)				(114,692)
<b>Balance, December 31, 2011</b>	\$ 2,549	\$ 354,208	\$ 2,032,987		\$ 755,893	\$ -	\$ 3,145,637

The accompanying notes are an integral part of the consolidated financial statements.



# MIDLAND NATIONAL LIFE INSURANCE COMPANY AND SUBSIDIARIES

(a wholly owned subsidiary of Sammons Financial Group, Inc.)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010, and 2009

(Amounts in Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 287,606	\$ 352,472	\$ 196,937
Adjustments to reconcile net income to net cash provided by operating activities			
Amortization of deferred policy acquisition costs, deferred sales inducements and present value of future profits of acquired businesses	290,440	302,669	235,847
Net amortization of premiums and discounts on investments	(154,194)	(131,051)	(89,973)
Amortization of index options	289,043	179,637	165,439
Employee stock ownership plan	13,301	12,200	-
Policy acquisition costs deferred	(252,737)	(263,602)	(214,843)
Sales inducements deferred	(81,990)	(92,589)	(74,579)
Net realized investment (gains) losses and net impairment losses recognized in earnings	15,733	(22,989)	(83,356)
Net (gains) losses on derivatives and derivative instruments	(5,767)	(191,371)	157,076
Net unrealized gains from variable interest entity	-	-	(35,795)
Provision (benefit) for deferred income taxes	90,940	20,151	(17,781)
Net interest credited and product charges on universal life and investment policies	746,935	895,216	436,536
Changes in other assets and liabilities			
Net receivables	(79,743)	(23,954)	(57,028)
Net payables	24,388	71,909	125,697
Policy benefits	52,526	102,645	55,813
Other, net	(44,448)	(49,117)	(567)
Net cash provided by operating activities	<u>1,192,033</u>	<u>1,162,226</u>	<u>799,423</u>

The accompanying notes are an integral part of the consolidated financial statements.

# MIDLAND NATIONAL LIFE INSURANCE COMPANY AND SUBSIDIARIES

(a wholly owned subsidiary of Sammons Financial Group, Inc.)

## CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010, and 2009

(Amounts in Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds from investments sold, matured or repaid			
Fixed maturities	\$ 4,255,557	\$ 5,026,800	\$ 7,712,355
Equity securities	131,333	224,575	100,281
Mortgage loans	53,944	52,252	33,601
Derivative instruments	-	-	9,987
Other invested assets	206,589	52,778	37,206
Cost of investments acquired			
Fixed maturities	(5,571,152)	(6,821,533)	(9,049,051)
Equity securities	(61,026)	(160,158)	(102,725)
Mortgage loans	(307,412)	(61,773)	(25,893)
Derivative instruments	(242,316)	(125,959)	(162,597)
Other invested assets	(21,548)	(31,865)	(28,219)
Change in cash due to deconsolidation of VIE	-	(159,827)	-
Net change in policy loans	(7,545)	(17,207)	(487)
Net change in short-term investments	(41,433)	104,634	(175,000)
Net change in collateral on derivatives	(49,878)	(86,174)	183,681
Net change in amounts due to/from brokers	(160,148)	30,861	144,838
Net cash used in investing activities	<u>(1,815,035)</u>	<u>(1,972,596)</u>	<u>(1,322,023)</u>
<b>FINANCING ACTIVITIES</b>			
Receipts from universal life and investment products	\$ 2,966,600	\$ 2,906,068	\$ 2,779,877
Benefits paid on universal life and investment products	(2,240,684)	(2,189,030)	(2,076,795)
Net change in repurchase agreements and other borrowings	121,872	(38,643)	(258,701)
Receipts related to noncontrolling interests - net	-	-	296,100
Capital contributions received	5,000	5,000	-
Dividends paid on common stock	(114,692)	(92,257)	(51,617)
Net cash provided by financing activities	<u>738,096</u>	<u>591,138</u>	<u>688,864</u>
Net increase (decrease) in cash	115,094	(219,232)	166,264
Cash at beginning of year	<u>50,517</u>	<u>269,749</u>	<u>103,485</u>
Cash at end of year	<u>\$ 165,611</u>	<u>\$ 50,517</u>	<u>\$ 269,749</u>
<b>SUPPLEMENTAL INFORMATION</b>			
Cash paid during the year for			
Income taxes, paid to parent	\$ 62,700	\$ 51,374	\$ 204,153
Interest on other borrowings	1,940	2,381	4,594

The accompanying notes are an integral part of the consolidated financial statements.

# MIDLAND NATIONAL LIFE INSURANCE COMPANY AND SUBSIDIARIES

(a wholly owned subsidiary of Sammons Financial Group, Inc.)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands)

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Organization**

Midland National Life Insurance Company and Subsidiaries (“Midland National” or the “Company”) is a wholly owned subsidiary of Sammons Financial Group, Inc. (“SFG”). SFG Reinsurance Company (“SFG Re”), a subsidiary of Midland National, is a captive reinsurance company domiciled in South Carolina. MNL Reinsurance Company (“MNL Re”) and Solberg Reinsurance Company (“Solberg Re”), subsidiaries of Midland National, are captive reinsurance companies domiciled in Iowa. Midland National Services Company (“MNSC”) is a Delaware limited liability company created as a wholly owned subsidiary of Midland National to hold agreed amounts for payment of facility fees and other amounts due under a credit facility agreement that governs a letter of credit arrangement between several SFG entities and a large commercial bank. Together, these companies offer individual life and annuity products in 49 states and the District of Columbia. The Company is affiliated through common ownership with North American Company for Life and Health Insurance (“North American”).

Midland National is a limited partner in Guggenheim Partners Opportunistic Investment Grade Securities Fund, LLC (“the Fund”), a private investment company and variable interest entity. In 2009, Midland National was considered the primary beneficiary under accounting guidance previously in effect and owned 50.9% of the Fund. As the primary beneficiary, the Company consolidated the Fund in its consolidated financial statements. In accordance with new guidance issued by the Financial Accounting Standards Board (“FASB”), the Company deconsolidated the Fund as of January 1, 2010. See Note 6 for further discussion of the deconsolidation of the Fund.

#### **Basis of presentation**

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and reflect the consolidation of the Company with its wholly owned subsidiaries and all entities for which it holds a controlling financial interest. Significant intercompany transactions have been eliminated in consolidation.

The Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity (“VIE”).

Voting interest entities are entities in which the total equity investment at risk is sufficient to enable the entity to finance its activities independently and the equity holders have the obligation to absorb losses, the right to receive residual returns, and the right to make decisions about the entity’s activities. The usual condition for a controlling financial interest in an entity is ownership of a majority voting interest. Accordingly, the Company consolidates voting interest entities in which it has a majority voting interest.

When the Company does not have a controlling financial interest in an entity but exerts significant influence over the entity’s operating and financial policies (generally defined as owning a voting interest of 20% to 50%) and has an investment in common stock or in-substance common stock, the Company accounts for its investment using the equity method of accounting. For certain limited partnerships, the threshold for the equity method of accounting is 5%.

# MIDLAND NATIONAL LIFE INSURANCE COMPANY AND SUBSIDIARIES

(a wholly owned subsidiary of Sammons Financial Group, Inc.)

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During 2009, the FASB issued revised guidance effective January 1, 2010, related to VIEs whereby an enterprise is required to perform an analysis on all entities with which it has a financial interest. The analysis requires the evaluation of several characteristics, including the determination of whether an entity has sufficient equity at risk to allow it to adequately finance its activities, the determination of whether the party with the power to direct the activities of the entity has equity investment at risk in the entity, and whether the equity investment at risk lacks the obligation to absorb expected losses or the right to receive expected residual returns. If an entity is determined to be a VIE, the next step is the identification of the primary beneficiary of the VIE. An enterprise is deemed to be the primary beneficiary of a VIE if it has both (i) the power to direct the activities of the entity that most significantly impact the VIE's economic success and (ii) has the obligation to absorb losses or receive benefits that could potentially be significant to the VIE, or both. The Company determines whether it is the primary beneficiary of a VIE by performing an analysis that principally considers: (i) the VIE's purpose and design, including the risks the VIE was designed to create and pass through to its variable interest holders, (ii) the VIE's capital structure, (iii) the terms between the VIE and its variable interest holders and other parties involved with the VIE, (iv) which variable interest holders have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, (v) which variable interest holders have the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE and (vi) related party relationships. The party that is the primary beneficiary consolidates the financial results of the VIE. The Company will continue to assess its investments on an ongoing basis as circumstances may change whereby an entity could be determined to be a VIE. The Company could become a primary beneficiary in such a VIE, or an entity's characteristics could change whereby it is no longer a VIE. All of these situations could potentially have a corresponding impact on the Company's consolidated financial statements.

See Note 6 for further discussion related to the Company's involvement with VIEs.

### **Use of estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

The most significant areas which require the use of management's estimates relate to the determination of the fair values of financial assets and liabilities, derivatives and derivative instruments, impairment of securities, income taxes, deferred policy acquisition costs ("DAC"), deferred sales inducements ("DSI"), present value of future profits of acquired businesses ("PVFP"), reinsurance receivables and policy benefit reserves for traditional life insurance policies.

### **Interest rate risk**

The Company is subject to the risk that interest rates will change and cause changes in investment prepayments and changes in the value of its investments. Policyholder persistency is also affected by changes in interest rates. The Company manages its interest rate risk by monitoring its asset and liability durations within a predetermined range. It will mitigate this risk by rebalancing assets when it approaches the boundaries of the predetermined range. To the extent that fluctuations in

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interest rates cause the cash flows and duration of assets and liabilities to differ from product pricing assumptions, the Company may have to sell assets prior to their maturity and realize a loss.

### **Liquidity risk**

Market conditions for fixed income securities could be such that illiquidity in the markets could make it difficult for the Company to sell certain securities and generate cash to meet policyholder obligations. Management believes it has adequate liquidity in its investment portfolio and other sources of funds to meet any future policyholder obligations.

### **Counterparty risk**

The Company enters into derivative and repurchase agreements with various financial institution counterparties. The Company is at risk that any particular counterparty will fail to fulfill its obligations under outstanding agreements. The Company limits this risk by selecting counterparties with long-standing performance records and with credit ratings of "A" or above. The amount of exposure to each counterparty is essentially the net replacement cost or market value for such agreements with each counterparty, as well as any interest due the Company from the last interest payment period less any collateral posted by the Company or counterparty.

### **Fair value of financial assets, financial liabilities, and financial instruments**

The Company can elect an option to record at fair value certain financial assets and financial liabilities. The election is irrevocable and is made contract by contract. The Company has elected to utilize the fair value option for certain fixed income securities designated as hybrid instruments.

Fair value estimates are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Although fair value estimates are calculated using assumptions that management believes are appropriate, changes in assumptions could cause these estimates to vary materially. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in some cases, could not be realized in the immediate settlement of the instruments. Accordingly, the aggregate fair value amounts presented in Note 3 may not represent the underlying value to the Company.

The Company uses the following methods and assumptions in estimating the fair value of its financial instruments:

#### *Available-for-sale securities*

Fair value for fixed maturity securities is obtained primarily from independent pricing sources, broker quotes and fair value/cash flow models. Fair value is based on quoted market prices, where available. For fixed maturities not actively traded, fair value is estimated using values obtained from independent pricing services or broker quotes. When values are not available from pricing services or broker quotes, such as private placements including corporate securities and asset-backed securities and residential mortgage-backed securities, fair value may be estimated by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investments. The fair value of equity securities is based on quoted

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market prices, where available, and for those equity securities not actively traded, fair values are obtained from independent pricing services or from internal fair value/cash flow models.

### *Mortgage loans*

Fair value for mortgage loans is estimated using a duration-adjusted pricing methodology that reflects changes in market interest rates and the specific interest-rate sensitivity of each mortgage. Price changes derived from the monthly duration-adjustments are applied to the mortgage portfolio. Each mortgage modeled is assigned a spread corresponding to its risk profile for valuation purposes. For fair value reporting purposes, these spreads are adjusted for current market conditions. Fair value is also adjusted by internally generated illiquidity and default factors.

### *Short-term investments*

The carrying amounts for short-term investments, which primarily consist of commercial paper, money market funds and fixed income securities acquired with less than one year to maturity, approximate fair value due to their short-term nature.

### *Derivative instruments*

Fair value for options are based on internal financial models or counterparty quoted prices. Variation margin accounts, consisting of cash balances applicable to open futures contracts, held by counterparties are reported at the cash balances, which is equal to fair value. Fair value for interest rate swaps, credit default swaps, interest rate floors and other derivatives is based on exchange prices, broker quoted prices or fair values provided by the counterparties.

### *Other invested assets*

Other invested assets consist primarily of limited partnerships. The Company measures the fair value of these investments on the basis of the net asset value per share of the investment (or its equivalent) if the net asset value of the investment (or its equivalent) is calculated in a manner consistent with the measurement guidance issued by the FASB for investment companies as of the reporting entity's measurement date.

### *Reinsurance receivables – embedded derivatives from reinsurance ceded*

Fair value for embedded derivatives related to coinsurance with funds withheld treaties for indexed annuities is determined based on fair values of the financial instruments in the funds withheld portfolios and on models the Company has developed to estimate the fair values of the liabilities ceded.

### *Separate account assets*

Separate account assets are reported at fair value in the consolidated balance sheets based on quoted net asset values of the underlying mutual funds.

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### *Policyholder account balances*

Fair value for the Company's liabilities under investment-type insurance contracts is estimated using two methods. For those contracts without a defined maturity, the fair value is estimated as the amount payable on demand (cash surrender value). For those contracts with known maturities, fair value is estimated using discounted cash flow calculations using interest rates currently being offered for similar contracts with maturities consistent with the contracts being valued. The reported value of the Company's investment-type insurance contracts includes the fair value of indexed life and annuity embedded derivatives which are calculated using discounted cash flow valuation techniques based on current interest rates adjusted to reflect credit risk and an additional provision for adverse deviation.

### *Repurchase agreements, other borrowings and collateral on derivative instruments*

The fair value of the Company's repurchase agreements is tied to the market value of the underlying collateral securities. The fair value of other borrowings which consist of borrowings from the Federal Home Loan Bank of Des Moines ("FHLB"), approximates its reported value due to its short maturity. The fair value of collateral on derivative instruments approximates the carrying value due to the short-term nature of the investment. These investments primarily consist of money market funds.

## **Investments and investment income**

### *Available-for-sale securities*

The Company is required to classify its fixed maturity investments (bonds and redeemable preferred stocks) and equity securities (common and non-redeemable preferred stocks) into three categories: securities that the Company has the positive intent and the ability to hold to maturity are classified as "held-to-maturity;" securities that are held for current resale are classified as "trading securities;" and securities not classified as held-to-maturity or as trading securities are classified as "available-for-sale." Investments classified as trading or available-for-sale are required to be reported at fair value in the consolidated balance sheets. The Company currently has no securities classified as held-to-maturity or trading.

Available-for-sale securities are classified as such if not considered trading securities or if there is not the positive intent and ability to hold the securities to maturity. Such securities are carried at fair value with the unrealized holding gains (losses) and non-credit related impairment losses included as a component of other comprehensive income (loss) ("OCI") in the consolidated statements of stockholder's equity. OCI is reported net of related adjustments to DAC, DSI, deferred income taxes, and the accumulated unrealized holding gains (losses) on securities sold which are released into income as realized investment gains (losses).

For collateralized mortgage obligations ("CMOs") and mortgage-backed securities, the Company recognizes income using a constant effective yield based on anticipated prepayments and the estimated economic life of the securities. When actual prepayments differ significantly from anticipated prepayments, the effective yield is recalculated to reflect actual payments to date and anticipated future payments. The net investment in the security is adjusted to the amount that would have existed had the new effective yield been applied since the acquisition of the security. This adjustment is included in net investment income. Included in this category is approximately

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\$109,464 and \$84,434 of mortgaged-backed securities that are all or partially collateralized by sub-prime mortgages at December 31, 2011 and 2010, respectively. A sub-prime mortgage is defined as a mortgage with one or more of the following attributes: weak credit score, high debt-to-income ratio, high loan-to-value ratio or undocumented income. In recent years, the deterioration in the sub-prime mortgage market has had an adverse impact on the overall credit markets, particularly related to the fair values of CMOs and other asset-backed securities. The Company is exposed to credit risk associated with the sub-prime lending market and continues to monitor these investments in connection with the Company's other-than-temporary impairment ("OTTI") policy. At December 31, 2011 and 2010, 62% and 76%, respectively of the Company's securities with sub-prime exposure are rated as investment grade.

### *Mortgage loans*

Mortgage loans consist principally of commercial mortgage loans and are carried at the adjusted unpaid balances. The Company's lending policies allow for primarily first-lien mortgages that do not exceed 75% of the fair market value of the property allowing for sufficient excess collateral to absorb losses should we be required to foreclose and take possession of the collateral. The mortgage portfolio invests primarily in larger metropolitan areas across the U.S. and is diversified by type of property. Property and casualty insurance is required on all properties covered by mortgage loans at least equal to the excess of the loan over the maximum loan which would be permitted by law on the land without the buildings. Interest income on non-performing loans is generally recognized on a cash basis. During 2011, twenty-three new mortgages were originated for \$305,400, and during 2010 six new mortgages were originated for \$58,890.

The following table includes a breakdown of the Company's mortgage loans by property type as of December 31, 2011:

	<u>Percentage</u>
Hotel	30%
Office	23%
Multi-family	16%
Retail	16%
Residential	6%
Industrial	4%
Other	5%

Approximately 52% of the mortgage loans are on properties located in the following states as of December 31, 2011:

	<u>Percentage</u>
California	20%
Georgia	12%
Arizona	10%
North Carolina	10%



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The Company's mortgage loan portfolio includes reverse mortgages, which are first liens on the related residential properties located primarily in California and Florida. At December 31, 2011, the reported value of these reverse mortgages was \$29,301. Income on reverse mortgages is recognized using an effective yield based on the contractual interest rate and anticipated repayment of the mortgage. The maximum percentage of any one loan to the value of the underlying property at the time the loan was initiated was 80% for all standard mortgage loans. The reverse mortgages have a Principal Limit Factor ("PLF") that defines the maximum amount that can be advanced to a borrower. The PLF is a function of the age of the borrower and co-borrower, if any, and the appraised value of the residential property. The maximum PLF in the Company's reverse mortgage portfolio is 62.5% of the underlying property value at the time of mortgage origination.

The Company reviews its mortgage loans for impairment on an on-going basis. It considers such factors as delinquency of payments, decreases in the value of underlying properties, the financial condition of the mortgagee and the impact of general economic conditions in the geographic areas of the properties collateralizing the mortgages. Once the determination is made that a mortgage loan is impaired, the primary consideration used to determine the amount of the impairment is the fair market value of the underlying property. The Company assumes it would receive the proceeds from the sale of the underlying property less sale expenses. As a result of this review, the Company recognized impairment charges against earnings of \$397 (two loans), \$1,036 (two loans), and \$1,530 (four loans) for the years ended December 31, 2011, 2010 and 2009, respectively. In addition, the Company has an allowance for mortgage loan credit losses of \$2,000, \$0 and \$0 at December 31, 2011, 2010 and 2009, respectively. The Company determined the allowance through an analysis of specific loans that are believed to have a higher risk of credit impairment.

### *Policy loans*

Policy loans are carried at unpaid principal balances.

### *Short-term investments*

Short-term investments primarily include commercial paper and fixed income securities, stated at amortized cost, and money market funds, stated at cost, acquired with less than one year to maturity.

### *Derivative instruments*

Derivative instruments consist of options, futures, interest rate floors, interest rate and credit default swaps. Options, interest rate floors, interest rate swaps and credit default swaps are reported at fair value. Futures are reported at the cash balances held in counterparty variation margin accounts, which amount equals fair value.

### *Other invested assets*

Other invested assets are primarily comprised of limited partnerships. Limited partnerships are recorded on the fair value, cost, equity or consolidation method of accounting depending on the respective ownership percentage, ability to control or election to apply fair value accounting. In most cases, the carrying amounts represent the Company's share of the entity's underlying equity

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reported in its balance sheet. In situations where the Company has an ownership of less than 5%, the limited partnership is carried at cost. These investments are reviewed for impairment on a periodic basis. The aggregate carrying value of investments recorded on the cost method was \$36,363 and \$39,176 as of December 31, 2011 and 2010, respectively.

### *Other-than-temporary impairment losses*

The Company reviews its investments to determine if declines in value are other-than-temporary. Improvements in credit markets and a low interest rate environment during 2011 and 2010 resulted in fair value gains in the Company's fixed income securities portfolio. If the fair value of a debt security is less than its amortized cost basis at the balance sheet date, the Company must assess whether the impairment is other-than-temporary. For fixed income securities, the primary factor the Company considers in its assessment of whether a decline in value is other-than-temporary is the issuer's ability to pay the amounts due according to the contractual terms of the investment. Additional factors considered in evaluating whether a decline in value is other-than-temporary are the length of time and magnitude by which the fair value is less than amortized cost, adverse conditions specifically related to the security, changes to the rating of the security by a rating agency, changes in the quality of underlying credit enhancements and changes in the fair value of the security subsequent to the balance sheet date.

When an OTTI has occurred, the amount of the impairment charged against earnings depends on whether the Company intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis. If the Company intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis, the entire impairment is recognized as a charge against earnings. If the Company does not intend to sell the security and it is not more likely than not it will be required to sell the security before recovery of its amortized cost basis, the impairment is bifurcated into a credit related loss and a non-credit related loss. The credit related loss is measured as the difference between the present value of cash flows expected to be collected from the debt security and the debt security's amortized cost. The amount of the credit related loss is recognized as a charge against earnings. The difference between the unrealized loss on the impaired debt security and the credit related loss charged against earnings is the non-credit related loss that is recognized in accumulated other comprehensive loss.

The Company uses a single best estimate of cash flows approach and uses the effective yield prior to the date of impairment to calculate the present value of cash flows. The Company's assumptions for residential mortgage-backed securities, commercial mortgage-backed securities, other asset-backed securities and collateralized debt obligations include collateral pledged, scheduled interest payments, default levels, delinquency rates and the level of nonperforming assets for the remainder of the investments' expected term. The Company's assumptions for corporate and other fixed maturity securities include scheduled interest payments and an estimated recovery value, generally based on a percentage return of the current market value.

After an other-than-temporary write-down, the new cost basis is the prior amortized cost less the credit loss. The adjusted cost basis is generally not adjusted for subsequent recoveries in fair value. However, if the Company can reasonably estimate future cash flows after a write-down and the expected cash flows indicate some or all of the credit related loss will be recovered, the discount or reduced premium recorded is amortized over the remaining life of the security. Amortization in

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this instance is computed using the prospective method and is determined based on the current estimate of the amount and timing of future cash flows.

During 2011, 2010 and 2009, the Company recorded \$7,527, \$71,582 and \$71,471, respectively, of realized losses as a result of OTTI. These losses are included in net impairment loss recognized in earnings in the consolidated statements of income.

### *Investment income*

Investment income is recorded when earned. Net realized investment gains (losses) are determined on the basis of specific identification of the investments. Dividends are recorded on the ex-dividend date. See Note 4 for further discussion of the Company's investments and investment income.

### **Cash**

Cash consists of demand deposits and non-interest bearing deposits held by various commercial and custodial banks. The Company has deposits with certain financial institutions which exceed federally insured limits. The Company has reviewed the creditworthiness of these financial institutions and believes there is minimal risk of material loss.

### **Derivatives and derivative instruments**

The Company uses derivative instruments to manage its fixed indexed and policy obligation interest guarantees and interest rate and credit risks applicable to its investments. To mitigate these risks, the Company enters interest rate and credit default swap agreements, futures contracts and equity indexed call options. To qualify for hedge accounting, the Company is required to formally document the hedging relationship at the inception of each derivative transaction. This documentation includes the specific derivative instrument, risk management objective, hedging strategy, identification of the hedged item, specific risk being hedged and how effectiveness will be assessed. To be considered an effective hedge, the derivative must be highly effective in offsetting the variability of the cash flows or the changes in fair value of the hedged item. Effectiveness is evaluated on a retrospective and prospective basis.

The changes in fair value of derivative instruments designated as effective cash flow hedges are reported as a component of OCI. For derivatives not designated as effective hedges, the change in fair value is recognized as a component of net gains (losses) on derivatives and derivative instruments in the consolidated statements of income in the period of change.

Derivative instruments are carried at fair value, with certain changes in fair value reflected in OCI in the consolidated statements of stockholder's equity (for those derivatives designated as effective "cash flow hedges") while other changes in derivative fair value related to non-hedge derivatives are reflected as net gains (losses) on derivatives and derivative instruments in the consolidated statements of income.

The Company has certain reinsurance arrangements and debt instruments containing embedded derivatives due to the incorporation of credit risk exposures that are not clearly and closely related to the creditworthiness of the obligor.

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The agreements between the Company and its derivatives counterparties require the posting of collateral when the market value of the derivative instruments exceeds the cost of the instruments. Collateral posted by counterparties is reported in the consolidated balance sheets in short-term investments with a corresponding liability reported in repurchase agreements, other borrowings and collateral on derivative instruments. Collateral posted by the Company is reported in the consolidated balance sheets as a component of other receivables, other assets and property, plant and equipment.

See Note 5 for further discussion of the Company's derivatives and derivative instruments.

### **Accrued investment income**

Accrued investment income consists of amounts due on invested assets. It excludes amounts the Company does not expect to receive.

### **Deferred policy acquisition costs**

Policy acquisition costs that vary with, and are primarily related to the production of new business, are deferred into the DAC asset to the extent that such costs are deemed recoverable from future profits. Such costs include commissions, marketing, policy issuance, underwriting and certain variable agency expenses. For traditional insurance policies, such costs are amortized over the estimated premium paying period of the related policies in proportion to the ratio of the annual premium revenues to the total anticipated premium revenues. For interest sensitive policies, these costs are amortized over the lives of the policies in relation to the present value of actual and estimated gross profits. Recoverability of DAC is evaluated on an annual basis by comparing the current estimate of future profits to the unamortized asset balance.

See Note 8 for further discussion of the Company's DAC.

### **Deferred sales inducements**

The Company defers certain sales inducement costs into a DSI asset. Sales inducements consist of premium bonuses and bonus interest on the Company's life and annuity products. The Company accounts and reports for certain sales inducements whereby capitalized costs are reported separately in the consolidated balance sheets and the amortization of the capitalized sales inducements is reported as a separate component of insurance benefits in the consolidated statements of income in accordance with authoritative guidance.

See Note 8 for further discussion of the Company's DSI.

To the extent that unrealized investment gains or losses on available-for-sale securities would result in an adjustment to the amortization pattern of DAC and DSI had those gains or losses actually been realized, the adjustments are recorded directly to stockholder's equity through OCI as an offset to the unrealized investment gains or losses on available-for-sale securities.

### **Present value of future profits of acquired businesses**

The PVFP represents the portion of the purchase price of blocks of businesses that was allocated to the future profits attributable to the insurance in force at the dates of acquisition. The PVFP is

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amortized in relationship to the actual and expected emergence of such future profits. Based on current conditions and assumptions as to future events, the Company expects to amortize \$1,289, \$1,143, \$1,058, \$1,111 and \$938 of the existing PVFP over the next five years. Recoverability of the PVFP is evaluated periodically by comparing the current estimate of future profits to the unamortized asset balance.

See Note 8 for further discussion of the Company's PVFP.

Retrospective adjustments of DAC, DSI, and PVFP are made periodically upon revision of estimates of current or future gross profits on interest sensitive and investment-type products to be realized from a group of policies.

### **Reinsurance receivables**

Liabilities ceded to reinsurance companies and receivables related to obligations due from those companies to the Company are reported as reinsurance receivables. Funds withheld liabilities and embedded derivatives associated with certain annuity coinsurance with funds withheld agreements are also reported as reinsurance receivables in the consolidated balance sheets. The Company uses reinsurance risk mitigation on life and annuity products and, in certain cases, capital relief. The Company generally reinsures the excess of each individual risk over \$1,000 on ordinary life policies in order to spread its risk of loss. The Company remains contingently liable for the liabilities ceded in the event the reinsurers are unable to meet their obligations under the reinsurance agreements. To limit the possibility of such losses, the Company evaluates the financial condition of its reinsurers and monitors its concentration of credit risk. The Company generally reinsures with companies rated "A" or better by A.M. Best. The Company monitors these ratings on an on-going basis as it is at risk that a reinsurer may be downgraded after an agreement has been entered.

### **Separate account assets and liabilities**

The separate accounts held by the Company are funds on which investment income and gains or losses accrue directly to certain policyholders. The assets of these accounts are legally separated and are not subject to the claims that may arise out of any other business of the Company. The Company reports its separate account assets at fair value. The underlying investment risks are assumed by the policyholders. The Company records the related liabilities at amounts equal to the market value of the underlying assets. The Company reflects these assets and liabilities in separate account assets and liabilities in the consolidated balance sheets. The Company reports the fees earned for administrative and policyholder services performed for the separate accounts as a component of other income in the consolidated statements of income.

### **Policy claims and benefits payable**

The liability for policy claims and benefits payable includes provisions for reported claims and estimates for claims incurred but not reported, based on the terms of the related policies and contracts and on prior experience. Claim liabilities are based on estimates and are subject to future changes in claim severity and frequency. Estimates are periodically reviewed and adjustments are reflected in benefits incurred in the consolidated statements of income.

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### **Recognition of traditional life insurance revenue and policy benefits**

Traditional life insurance products include those products with fixed and guaranteed premiums and benefits. Life insurance premiums are recognized as premium income when due. Benefits and expenses are associated with earned premiums so as to result in recognition of profits over the life of the contracts. This association is accomplished by means of the provision for policy benefit reserves and the amortization of DAC.

Policy benefit reserves for traditional life insurance policies reported in the consolidated balance sheets of \$1,129,354 and \$1,049,300 at December 31, 2011 and 2010, respectively, generally are computed by the net level premium method based on estimated future investment yield, mortality, morbidity and withdrawals that were appropriate at the time the policies were issued or acquired. Interest rate assumptions ranged from and 6.00% to 9.00% in 2011 and 2010.

### **Recognition of revenue and policy benefits for interest sensitive life insurance products and investment contracts (“interest sensitive policies”)**

Interest sensitive policies are issued on a periodic and single premium basis. Amounts collected are credited to policyholder account balances. Revenues from interest sensitive policies consist of charges assessed against policyholder account balances for the cost of insurance, policy administration, and surrender charges. Revenues also include investment income related to the investments that support the policyholder account balances. Policy benefits and claims that are charged to expense include benefits incurred in the period in excess of related policyholder account balances. Benefits also include interest and fixed index amounts credited to the account balances.

Policyholder reserves for universal life and other interest sensitive life insurance and investment contracts, reported in the consolidated balance sheets as policyholder account balances of \$26,320,092 and \$24,817,393 at December 31, 2011 and 2010, respectively, are determined using the retrospective deposit method. Policy reserves consist of the policyholder deposits and credited interest and fixed index credits less withdrawals and charges for mortality, administrative, and policy expenses. Interest crediting rates ranged primarily from 1.00% to 6.60% in 2011 and 2010. For certain contracts, these crediting rates extend for periods in excess of one year.

### **Repurchase agreements**

As part of its investment strategy, the Company enters into repurchase agreements to increase the Company’s investment return. The Company accounts for these transactions as secured borrowings, where the amount borrowed is tied to the market value of the underlying collateral securities. Repurchase agreements involve a sale of securities and an agreement to repurchase the same securities at a later date at an agreed-upon price. As of December 31, 2011 and 2010, there were \$2,185,727 and \$2,063,855, respectively, of such agreements outstanding. The collateral for these agreements is held in short-term investments and fixed maturities in the consolidated balance sheets.

### **Dividends and distributions**

Payment of dividends or other distributions of the insurance subsidiaries are limited by statute, which is generally limited to the greater of the insurance companies’ prior year statutory net gain

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from operations or 10% of the insurance companies' statutory surplus as regards policyholders at the previous year end date.

See Note 13 for further discussion on the Company's statutory financial data and dividend restrictions.

### **Income taxes**

The Company and its eligible subsidiaries file a consolidated Federal income tax return with SEI and its other eligible subsidiaries. The policy for intercompany allocation of Federal income taxes is that the Company computes the provision for income taxes on a separate return basis as if the Company and its eligible subsidiaries were filing their own consolidated return. The Company makes payment to, or receives payment from, SEI in the amount it would have paid to, or received from, the Internal Revenue Service ("IRS") had it filed a consolidated tax return with only its own subsidiaries. The separate Company provisions and payments are computed using the tax elections made by SEI.

The Company recognizes deferred income tax assets and liabilities for the expected future tax effects attributable to temporary differences between the financial statement and tax return bases of assets and liabilities, based on enacted rates and other provisions of the tax laws. The effect of changes in tax laws or rates on deferred tax assets and liabilities is recognized in income in the period in which such change is enacted. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that all or some portion of the deferred tax assets will not be realized.

If applicable, the Company's liability for income taxes would include a liability for unrecognized tax benefits, interest and penalties which relate to tax years still subject to review by the IRS or other taxing jurisdictions. The Company recognizes tax benefits only on tax positions where it is more likely than not to prevail if reviewed by the IRS or another taxing authority.

### **Comprehensive income**

Comprehensive income for the Company includes net income and OCI, which includes pension liability and post-retirement liability, net unrealized investment gains (losses) on available-for-sale securities, non-credit portion of OTTI losses, and interest rate swaps accounted for as cash flow hedges (net of related adjustments to intangibles and deferred income taxes).

## **2. EFFECTS OF NEW AUTHORITATIVE GUIDANCE**

### **Recently adopted authoritative guidance**

#### *Fair value measurements*

Effective January 1, 2010, the Company adopted the additional guidance on disclosures for fair value measurements as issued by the FASB. The new disclosures add a requirement to disclose transfers in and out of Level 1 and 2 measurements and to clarify two existing disclosure requirements related to the level of disaggregation of fair value measurements and disclosures regarding inputs and valuation techniques. The adoption of the new guidance had no impact on the consolidated financial statements, but did increase the disclosures related to fair value.

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Effective January 1, 2011, the Company adopted additional guidance on improving disclosures for fair value measurements. The new disclosures include gross presentation of activities within the Level 3 roll forward. The adoption of the new guidance had no impact on the consolidated financial statements, but did increase the disclosures about fair value.

### *Transfers of financial assets*

In June 2009, the FASB issued amended guidance on accounting for transfers of financial assets. The guidance is designed to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement in transferred financial assets. The most significant change is the elimination of the concept of a qualifying special-purpose entity. Therefore, formerly qualifying special-purpose entities (as defined under previous standards) should be evaluated for consolidation by reporting entities on and after the effective date in accordance with the applicable consolidation guidance. The Company adopted the guidance January 1, 2010. The new guidance did not have a material effect on the consolidated financial statements.

### *Variable interest entities*

In June 2009, the FASB issued amended guidance related to the consolidation of variable interest entities ("VIE"). The guidance requires an enterprise to perform an analysis to determine whether a company's variable interest or interests give it a controlling financial interest in a VIE. This analysis identifies the primary beneficiary of a VIE as the company that (1) has the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (2) the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE. The guidance requires ongoing reassessments of whether a company is the primary beneficiary of a VIE, which could result in deconsolidation of previously consolidated entities. It also requires enhanced disclosures that will provide users of financial statements with more transparent information about a company's involvement with the VIE. The Company adopted the guidance effective January 1, 2010. The Company has evaluated its investments in limited partnerships, a re-securitization trust, and the Fund to determine if there are VIE's which would require consolidation or deconsolidation in accordance with this new guidance. As a result of adopting the new guidance the Company determined a previously consolidated VIE should be deconsolidated.

See Note 6 for further discussion.

### *Investments held through separate accounts*

Effective January 1, 2011, the Company adopted guidance that clarifies an insurance entity should not consider any separate account interests held for the benefit of policy holders in an investment to be the insurer's interests. Additionally, the guidance does not require an insurer to consolidate an investment in which a separate account holds a controlling financial interest if the investment is not or would not be consolidated in the standalone financial statements of the separate account. The guidance also directs how an insurer should consolidate an investment fund in situations in which



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the insurer concludes that consolidation is required. The adoption of this guidance has no effect on the consolidated financial statements.

### *Allowance for credit losses*

In July 2010, the FASB issued guidance related to disclosures about the credit quality of financing receivables and the allowance for credit losses. The guidance requires disclosures that facilitate financial statement users in evaluating the nature of credit risk inherent in the portfolio of financing receivables; how that risk is analyzed and assessed in arriving at the allowance for credit losses; and any changes and the reasons for those changes to the allowance for credit losses. The guidance requires several new disclosures regarding the reserve for credit losses and other disclosures related to the credit quality of the Company's mortgage loan portfolio. The Company adopted the guidance on January 1, 2011. The adoption of the new guidance had no impact on the consolidated financial statements, but did increase the disclosures about the allowance for credit losses.

### **Recently issued authoritative guidance**

#### *Deferred policy acquisition costs*

In October 2010, the FASB issued guidance on accounting for costs associated with acquiring or renewing insurance contracts. The guidance addresses diversity in practice regarding the interpretation of which costs relating to the acquisition of new or renewal insurance contracts qualify for deferral. The guidance prescribes that certain incremental direct costs of successful initial or renewal contract acquisitions may be deferred. The guidance defines incremental direct costs as those costs that result directly from and are essential to the contract transaction and would not have been incurred by the insurance entity had the contract transaction not occurred. The guidance also clarifies the definition of the types of incurred costs that may be capitalized and the accounting and recognition treatment of advertising, research, and other administrative costs related to the acquisition of insurance contracts. This guidance will be effective on January 1, 2012, with early adoption permitted. The guidance provides companies the option of adopting either prospectively or retrospectively. The Company will adopt this guidance retrospectively on January 1, 2012. The Company expects this new guidance, when adopted, will reduce retained earnings and accumulated OCI and stockholder's equity by approximately \$149,500 to \$162,500 net of tax of \$80,500 to \$87,500, subject to other adjustments. After adoption in 2012, the Company expects to defer fewer costs and record lower amortization resulting in deferred emergence of earnings.

#### *Troubled debt restructurings*

In April 2011, the FASB issued guidance on the determination of whether a mortgage loan modification is a troubled debt restructuring. Under the guidance, if a restructuring constitutes a concession and the debtor is experiencing financial difficulties, a troubled debt restructuring has occurred. The guidance requires retrospective application to any restructuring activities occurring since January 1, 2011. The new requirements are effective for periods ending on or after December 15, 2012. The Company does not expect the guidance to have a material effect on the consolidated financial statements.

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### *Fair value measurements*

In May 2011, the FASB issued guidance on related to fair value measurement and disclosure, which substantially converged GAAP with International Financial Reporting Standards (“IFRS”). This guidance is largely consistent with existing fair value measurement principles in GAAP; however, disclosure requirements have been expanded. The expanded disclosures include: 1) for all Level 3 fair value measurements, quantitative information about significant unobservable inputs used and a description of the valuation processes in place; 2) a qualitative discussion about the sensitivity of recurring Level 3 fair value measurements; 3) disclose any transfers between Level 1 and Level 2 fair value measurements on a gross basis, including reasons for those transfers; 4) disclose the reason why an asset is being used differently by the company than its highest and best use; and 5) all fair value measurements needs to be categorized in the fair value hierarchy with disclosure of that categorization even if the asset or liability is not recorded at fair value. This guidance will be effective January 1, 2012. Other than additional disclosures, the adoption of this guidance is not expected to have a material impact on the Company’s consolidated financial statements.

### *Comprehensive income*

In June 2011, the FASB issued guidance related to the presentation of comprehensive income. This guidance requires companies to report components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements. This guidance removes the presentation option allowing comprehensive income disclosures in the consolidated statement of stockholder’s equity, but does not change the items that must be reported in other comprehensive income. This guidance will be effective January 1, 2012, and will change the presentation of comprehensive income in the consolidated financial statements. The FASB has deferred the requirement in the standard calling for reclassification adjustments from accumulated other comprehensive income to be measured and presented by income statement line item in net income and also in other comprehensive income.

### *Offsetting assets and liabilities*

In December 2011, the FASB issued updated guidance regarding the disclosure of offsetting assets and liabilities. This new guidance requires an entity to disclose information on both a gross basis and net basis about both instruments and transactions eligible for offset in the consolidated balance sheets and instruments and transactions subject to an agreement similar to a master netting arrangement. The scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. This guidance will be effective January 1, 2013 and shall be applied retrospectively for all comparative periods presented. The Company is currently assessing the impact of the guidance on the Company’s consolidated financial statements.

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### 3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value and estimated fair value of the Company's financial instruments are as follows:

	December 31, 2011		December 31, 2010	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
<b>Financial assets:</b>				
Available-for-sale:				
Fixed maturities	\$ 27,210,029	\$ 27,210,029	\$ 24,516,373	\$ 24,516,373
Equity securities	406,809	406,809	424,953	424,953
Mortgage loans	490,031	473,562	247,133	219,546
Short-term investments	290,070	290,070	248,637	248,637
Derivative instruments	235,342	235,342	425,656	425,656
Other invested assets	889,972	901,156	983,630	998,669
Reinsurance receivables - embedded derivatives from reinsurance ceded	128,480	128,480	26,061	26,061
Separate account assets	884,513	884,513	1,001,274	1,001,274
<b>Financial liabilities:</b>				
Policyholder account balances:				
Investment-type insurance contracts	14,898,807	13,450,772	14,193,220	12,724,974
Indexed life and annuity embedded derivatives	(35,142)	(35,142)	(40,622)	(40,622)
Repurchase agreements, other borrowings and collateral on derivative instruments	2,599,406	2,599,406	2,527,412	2,527,412
Derivative instruments	13,134	13,134	10,541	10,541

#### Fair value measurements

Fair value is based on an exit price, which is 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. The fair value guidance also establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Financial instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

The Company determines the fair value of its investments, in the absence of observable market prices, using the valuation methodologies described below applied on a consistent basis. For some investments, market activity may be minimal or nonexistent and management's determination of fair value is then based on the best information available in the circumstances and may incorporate management's own assumptions, which involves a significant degree of judgment.

Investments for which market prices are not observable are generally private investments, securities valued using non-binding broker quotes or securities with very little trading activity. Fair

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values of private investments are determined by reference to public market or private transactions or valuations for comparable companies or assets in the relevant asset class when such amounts are available. If these are not available, a discounted cash flow analysis using interest spreads adjusted for the maturity/average life differences may be used. Spread adjustments are intended to reflect an illiquidity premium and take into account a variety of factors including but not limited to senior unsecured versus secured, par amount outstanding, number of holders, maturity, average life, composition of lending group, debit rating, credit default spreads, default rates and credit spreads applicable to the security sector. These valuation methodologies involve a significant degree of judgment.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories.

Level 1 – Quoted prices are available in active markets that the Company has the ability to access for identical financial instruments as of the reporting date. The types of financial instruments included in Level 1 are listed equities, mutual funds, money market funds, non-interest bearing cash, exchange traded futures and options, and separate account assets. As required by the fair value measurements guidance, the Company does not adjust the quoted price for these financial instruments, even in situations where it holds a large position and a sale could reasonably impact the quoted price.

Level 2 – Fair values are based on quoted prices for similar assets or liabilities in active and inactive markets. Inactive markets involve few transactions for similar assets or liabilities and the prices are not current or price quotations vary substantially over time or among market makers, which would include some broker quotes. Level 2 inputs also include corroborated market data such as interest rate spreads, yield curves, volatilities, prepayment speeds, credit risks and default rates. Financial instruments that are generally included in this category include corporate bonds, asset-backed securities, CMOs, short-term securities, less liquid and restricted equity securities and over-the-counter derivatives.

Level 3 – Pricing inputs are unobservable for the financial instrument and include situations where there is little, if any, market activity for the financial instrument. These inputs may reflect the Company's estimates of the assumptions that market participants would use in valuing the financial instruments. Financial instruments that are included in this category generally include private corporate securities, collateralized debt obligations and indexed life and annuity embedded derivatives.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument. From time to time there may be movements between levels as inputs become more or less observable, which may depend on several factors including the activity of the market for the specific security, the activity of the market for similar securities, the level of risk spreads and the source of the information from which we obtain the information. Transfers in or out of any level are measured as of the beginning of the period.

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The Company relies on third party pricing services and independent broker quotes to value fixed maturity and equity securities. The third party pricing service uses a discounted cash flow model or the market approach to value the securities when the securities are not traded on an exchange. The following characteristics are considered in the valuation process: benchmark yields, reported trades, issuer spreads, bids, offers, benchmark and comparable securities, estimated cash flows and prepayment speeds.

The Company performs both quantitative and qualitative analysis of the prices. The review includes initial and ongoing review of the third party pricing methodologies, back testing of recent trades, and review of pricing trends and statistics.

The following tables summarize the valuation of the Company's financial instruments carried at fair value in the consolidated balance sheets as of December 31, 2011 and 2010 by the fair value hierarchy levels defined in the fair value measurements guidance. Methods and assumptions used to determine the fair values are described in Note 1:

	December 31, 2011			Total
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Financial assets (carried at fair value):</b>				
Fixed maturities:				
U.S. government and agencies	\$ -	\$ 3,351,774	\$ -	\$ 3,351,774
Municipal securities	-	3,925,894	488	3,926,382
Corporate securities	-	8,776,716	888,707	9,665,423
Residential mortgage-backed securities	-	3,329,532	167,667	3,497,199
Commercial mortgage-backed securities	-	768,406	94	768,500
Asset-backed securities	-	3,290,716	2,524,842	5,815,558
Other debt obligations	-	40,948	144,245	185,193
Total fixed maturities	-	23,483,986	3,726,043	27,210,029
Equity securities:				
Financial services	-	228,412	11,444	239,856
Other	-	111,813	55,140	166,953
Total equity securities	-	340,225	66,584	406,809
Derivative instruments:				
Options	-	122,396	-	122,396
Interest rate swaps, credit default swaps and interest rate floors	-	38,876	-	38,876
Futures	74,070	-	-	74,070
Total derivative instruments	74,070	161,272	-	235,342
Reinsurance receivables - embedded derivatives from reinsurance ceded:				
Indexed annuity products ceded	-	-	(15,850)	(15,850)
Indexed annuity funds withheld	-	-	144,330	144,330
Total reinsurance receivables	-	-	128,480	128,480
Separate account assets	884,513	-	-	884,513
<b>Financial liabilities (carried at fair value):</b>				
Policyholder account balances - indexed life and annuity embedded derivatives				
	-	-	(35,142)	(35,142)
Derivative instruments:				
Interest rate swaps and credit default swaps	-	13,134	-	13,134

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	December 31, 2010			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Financial assets (carried at fair value):</b>				
Fixed maturities:				
U.S. government and agencies	\$ -	\$ 3,357,124	\$ -	\$ 3,357,124
Municipal securities	-	3,015,347	-	3,015,347
Corporate securities	-	7,422,540	1,148,275	8,570,815
Residential mortgage-backed securities	-	2,864,008	205,743	3,069,751
Commercial mortgage-backed securities	-	1,417,735	94	1,417,829
Asset-backed securities	-	2,456,071	2,457,780	4,913,851
Other debt obligations	-	84,254	87,402	171,656
Total fixed maturities	-	20,617,079	3,899,294	24,516,373
Equity securities:				
Financial services	-	287,542	10,826	298,368
Other	-	86,762	39,823	126,585
Total equity securities	-	374,304	50,649	424,953
Derivative instruments:				
Options	-	209,211	-	209,211
Interest rate swaps, credit default swaps and interest rate floors	-	23,143	-	23,143
Futures	193,302	-	-	193,302
Total derivative instruments	193,302	232,354	-	425,656
Reinsurance receivables - embedded derivatives from reinsurance ceded				
Indexed annuity products ceded	-	-	(23,614)	(23,614)
Indexed annuity funds withheld	-	-	49,675	49,675
Total reinsurance receivables	-	-	26,061	26,061
Separate account assets	1,001,274	-	-	1,001,274
<b>Financial liabilities (carried at fair value):</b>				
Policy account balances - indexed life and annuity embedded derivatives				
	-	-	(40,622)	(40,622)
Derivative instruments				
Interest rate swaps and credit default swaps	-	10,541	-	10,541

Approximately 14% and 16% of the total fixed maturities are included in the Level 3 group at December 31, 2011 and 2010, respectively.

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The following tables summarize certain marketable securities and investments categorized as Level 3 by valuation methodology as of December 31, 2011 and 2010:

	<b>December 31, 2011</b>		
	<b>Third-party Source</b>	<b>Priced Internally</b>	<b>Total</b>
Fixed maturities:			
Municipal securities	\$ -	\$ 488	\$ 488
Corporate securities	37,017	851,690	888,707
Residential mortgage-backed securities	-	167,667	167,667
Commercial mortgage-backed securities	-	94	94
Asset-backed securities	-	2,524,842	2,524,842
Other debt obligations	-	144,245	144,245
Total fixed maturities	<u>37,017</u>	<u>3,689,026</u>	<u>3,726,043</u>
Equity securities:			
Financial services	-	11,444	11,444
Other	-	55,140	55,140
Total equity securities	<u>-</u>	<u>66,584</u>	<u>66,584</u>
Total	<u>\$ 37,017</u>	<u>\$ 3,755,610</u>	<u>\$ 3,792,627</u>
Percent of total	<u>1%</u>	<u>99%</u>	<u>100%</u>
	<b>December 31, 2010</b>		
	<b>Third-party Source</b>	<b>Priced Internally</b>	<b>Total</b>
Fixed maturities:			
Corporate securities	\$ 83,957	\$ 1,064,318	\$ 1,148,275
Residential mortgage-backed securities	-	205,743	205,743
Commercial mortgage-backed securities	-	94	94
Asset-backed securities	-	2,457,780	2,457,780
Other debt obligations	-	87,402	87,402
Total fixed maturities	<u>83,957</u>	<u>3,815,337</u>	<u>3,899,294</u>
Equity securities:			
Financial services	-	10,826	10,826
Other	-	39,823	39,823
Total equity securities	<u>-</u>	<u>50,649</u>	<u>50,649</u>
Total	<u>\$ 83,957</u>	<u>\$ 3,865,986</u>	<u>\$ 3,949,943</u>
Percent of total	<u>2%</u>	<u>98%</u>	<u>100%</u>

# MIDLAND NATIONAL LIFE INSURANCE COMPANY AND SUBSIDIARIES

(a wholly owned subsidiary of Sammons Financial Group, Inc.)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands)

The changes in financial instruments measured at fair value, excluding accrued interest income, for which Level 3 inputs were used to determine fair value during 2011 and 2010 are as follows:

	December 31, 2011								
	Beginning Balance	Realized and Unrealized Gains (Losses)		Purchases	Sales	Issuances	Settlements	Transfers in and/or out of Level 3	Ending Balance
		Included in Net Income	Included in OCI						
Financial assets (carried at fair value):									
Fixed maturities:									
Municipal securities	\$ -	\$ -	\$ -	\$ 488	\$ -	\$ -	\$ -	\$ -	\$ 488
Corporate securities	1,148,275	(2,024)	43,767	285,769	(163,361)	-	-	(423,719)	888,707
Residential mortgage- backed securities	205,743	(7,760)	(160)	-	(30,156)	-	-	-	167,667
Commercial mortgage- backed securities	94	-	-	-	-	-	-	-	94
Asset-backed securities	2,457,780	(42,298)	53,143	215,084	(101,398)	-	-	(57,469)	2,524,842
Other debt obligations	87,402	115	8,653	13,305	(4,780)	-	-	39,550	144,245
Total fixed maturities	3,899,294	(51,967)	105,403	514,646	(299,695)	-	-	(441,638)	3,726,043
Equity securities:									
Financial services	10,826	-	618	-	-	-	-	-	11,444
Other	39,823	2,654	47,794	1,298	(36,429)	-	-	-	55,140
Total equity securities	50,649	2,654	48,412	1,298	(36,429)	-	-	-	66,584
Reinsurance receivables - embedded derivatives from reinsurance ceded:									
Indexed annuity products ceded	(23,614)	1,468	-	-	-	3,661	2,635	-	(15,850)
Indexed annuity funds withheld	49,675	103,694	-	-	-	(5,096)	(3,943)	-	144,330
Total reinsurance receivables	26,061	105,162	-	-	-	(1,435)	(1,308)	-	128,480
Financial liabilities (carried at fair value):									
Policy account balances - indexed life and annuity embedded derivatives (B)	(40,622)	15,453	-	-	-	(13,259)	(7,674)	-	(35,142)



# MIDLAND NATIONAL LIFE INSURANCE COMPANY AND SUBSIDIARIES

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(Dollars in Thousands)

(A) Included in the transfers in and/or out line above is \$594,455 of securities priced using unobservable data at December 31, 2010 that were valued by a pricing service using observable market data at December 31, 2011, and \$152,817 of securities transferred into Level 3 that did not have enough observable data to include in Level 2 at December 31, 2011.

(B) Excludes host accretion and the timing of posting index credits, which are included in interest credited to policyholder account balances in the consolidated statements of income.

	December 31, 2010					
	Beginning Balance	Realized and Unrealized Gains (Losses)		Purchases, Issuances, and Settlements (net)	Transfers in and/or out of Level 3 (A)	Ending Balance
		Included in Net Income	Included in OCI			
Financial assets (carried at fair value):						
Fixed maturities						
Municipal securities	\$ 132,606	\$ -	\$ -	\$ -	\$ (132,606)	\$ -
Corporate securities	754,957	578	63,256	122,218	207,266	1,148,275
Residential mortgage- backed securities	470,648	(4,974)	43,211	(75,718)	(227,424)	205,743
Commercial mortgage- backed securities	749,685	(33,538)	47,736	(1,462)	(762,327)	94
Asset-backed securities	2,836,786	(25,459)	73,442	193,320	(620,309)	2,457,780
Other debt obligations	106,659	109	5,654	10,487	(35,507)	87,402
Total fixed maturities	5,051,341	(63,284)	233,299	248,845	(1,570,907)	3,899,294
Equity securities:						
Financial services	25,245	13,211	(1,293)	(26,337)	-	10,826
Other	-	-	(42)	39,865	-	39,823
Total equity securities	25,245	13,211	(1,335)	13,528	-	50,649
Reinsurance receivables - embedded derivatives from reinsurance ceded:						
Indexed annuity products ceded	(6,133)	(17,481)	-	-	-	(23,614)
Indexed annuity funds withheld	12,809	36,866	-	-	-	49,675
Total reinsurance receivables	6,676	19,385	-	-	-	26,061
Financial liabilities (carried at fair value):						
Policy account balances - indexed life and annuity embedded derivatives (B)	26,158	66,780	-	-	-	(40,622)

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(Dollars in Thousands)

(A) Included in the transfers in and/or out line above is \$1,475,940 of securities priced using unobservable data at December 31, 2009 that were valued by a pricing service using observable market data at December 31, 2010, and \$413,113 of securities transferred into Level 3 that did not have enough observable data to include in Level 2 at December 31, 2010. An additional \$507,076 was included in transfers out due to the deconsolidation of the Fund.

(B) Excludes host accretion and the timing of posting index credits, which are included in interest credited to policyholder account balances in the consolidated statements of income.

The total gains (losses) included in earnings related to financial instruments categorized at Level 3 still held at December 31, 2011, 2010 and 2009 are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Financial assets (carried at fair value):			
Fixed maturities:			
Corporate securities	\$ (2,311)	\$ (5,974)	\$ 1,730
Residential mortgage-backed securities	(2,376)	(3,607)	(6,707)
Commercial mortgage-backed securities	-	(33,515)	(5,165)
Asset-backed securities	-	(18,214)	-
Other debt obligations	115	106	261
Total fixed maturities	<u>(4,572)</u>	<u>(61,204)</u>	<u>(9,881)</u>
Reinsurance receivables - embedded derivatives from reinsurance ceded:			
Index annuity products ceded	1,468	(17,481)	109,466
Index annuity funds withheld	103,694	36,866	(67,110)
Total reinsurance receivables	105,162	19,385	42,356
Financial liabilities (carried at fair value):			
Policy account balances - indexed life and annuity embedded derivatives	15,453	66,780	(442,636)

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(Dollars in Thousands)

The following table shows the investments which are included in other invested assets (primarily limited partnerships) in the consolidated balance sheets:

	December 31, 2011		December 31, 2010	
	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments
Fixed income	\$ 754,054	\$ 50,660	\$ 861,438	\$ 56,892
Private equity	103,232	10,598	93,299	21,798
Real estate	43,870	28,157	43,876	29,408
Other	-	-	56	-
	<u>\$ 901,156</u>	<u>\$ 89,415</u>	<u>\$ 998,669</u>	<u>\$ 108,098</u>

Limited partnership interests are not redeemable at specific time periods. The Company receives periodic distributions from these investments while maintaining the investment for the long-term.

#### 4. INVESTMENTS AND INVESTMENT INCOME

##### Available-for-sale securities

The amortized cost, estimated fair value, gross unrealized gains and gross unrealized losses of fixed maturities and equity securities classified as available-for-sale at December 31, 2011 and 2010 are as follows:

	December 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed maturities:				
U.S. government and agencies	\$ 3,051,079	\$ 300,695	\$ -	\$ 3,351,774
Municipal securities	3,564,475	369,986	8,079	3,926,382
Corporate securities	9,286,378	681,011	301,966	9,665,423
Residential mortgage-backed securities	3,108,442	439,600	50,843	3,497,199
Commercial mortgage-backed securities	779,233	41,345	52,078	768,500
Asset-backed securities	5,861,590	120,853	166,885	5,815,558
Other debt obligations	170,670	16,011	1,488	185,193
Total fixed maturities	<u>25,821,867</u>	<u>1,969,501</u>	<u>581,339</u>	<u>27,210,029</u>
Equity securities:				
Financial services	232,567	17,018	9,729	239,856
Other	113,434	53,897	378	166,953
Total equity securities	<u>346,001</u>	<u>70,915</u>	<u>10,107</u>	<u>406,809</u>
Total available-for-sale	<u>\$ 26,167,868</u>	<u>\$ 2,040,416</u>	<u>\$ 591,446</u>	<u>\$ 27,616,838</u>

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(Dollars in Thousands)

	<b>December 31, 2010</b>			
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Estimated Fair Value</b>
Fixed maturities:				
U.S. government and agencies	\$ 3,432,038	\$ 96,842	\$ 171,756	\$ 3,357,124
Municipal securities	3,044,016	48,063	76,732	3,015,347
Corporate securities	8,452,057	450,301	331,543	8,570,815
Residential mortgage-backed securities	2,862,181	263,291	55,721	3,069,751
Commercial mortgage-backed securities	1,428,109	55,274	65,554	1,417,829
Asset-backed securities	4,964,958	136,210	187,317	4,913,851
Other debt securities	171,061	4,040	3,445	171,656
Total fixed maturities	<u>24,354,420</u>	<u>1,054,021</u>	<u>892,068</u>	<u>24,516,373</u>
Equity securities:				
Financial services	292,121	19,160	12,913	298,368
Other	126,079	3,634	3,128	126,585
Total equity securities	<u>418,200</u>	<u>22,794</u>	<u>16,041</u>	<u>424,953</u>
Total available-for-sale	<u>\$ 24,772,620</u>	<u>\$ 1,076,815</u>	<u>\$ 908,109</u>	<u>\$ 24,941,326</u>

The amortized cost and estimated fair value of available-for-sale fixed maturities at December 31, 2011 and 2010, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties:

	<b>2011</b>		<b>2010</b>	
	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>
Due in one year or less	\$ 92,256	\$ 90,578	\$ 164,997	\$ 163,659
Due after one year through five years	1,904,366	1,928,601	1,536,679	1,574,353
Due after five years through ten years	4,404,354	4,736,432	3,572,585	3,805,590
Due after ten years	10,345,636	11,045,235	10,570,356	10,296,314
Securities not due at a single maturity date (primarily mortgage-backed securities)	<u>9,075,255</u>	<u>9,409,183</u>	<u>8,509,803</u>	<u>8,676,457</u>
Total fixed maturities	<u>\$25,821,867</u>	<u>\$27,210,029</u>	<u>\$24,354,420</u>	<u>\$24,516,373</u>

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(Dollars in Thousands)

### Gross unrealized losses

The Company's gross unrealized losses and fair value on its available-for-sale securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

	December 31, 2011					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturities:						
Municipal securities	\$ 3,525	\$ 143	\$ 117,556	\$ 7,936	\$ 121,081	\$ 8,079
Corporate securities	961,404	54,287	1,746,400	247,679	2,707,804	301,966
Residential mortgage-backed securities	75,095	3,318	307,938	47,525	383,033	50,843
Commercial mortgage-backed securities	59,963	2,174	162,433	49,904	222,396	52,078
Asset-backed securities	1,553,500	57,476	745,534	109,409	2,299,034	166,885
Other debt securities	3,200	33	31,327	1,455	34,527	1,488
Total fixed maturities	<u>2,656,687</u>	<u>117,431</u>	<u>3,111,188</u>	<u>463,908</u>	<u>5,767,875</u>	<u>581,339</u>
Equity securities:						
Financial services	-	-	33,868	9,729	33,868	9,729
Other	370	222	14,285	156	14,655	378
Total equity securities	<u>370</u>	<u>222</u>	<u>48,153</u>	<u>9,885</u>	<u>48,523</u>	<u>10,107</u>
Total available-for-sale	<u>\$ 2,657,057</u>	<u>\$ 117,653</u>	<u>\$ 3,159,341</u>	<u>\$ 473,793</u>	<u>\$ 5,816,398</u>	<u>\$ 591,446</u>

  

	December 31, 2010					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturities:						
U.S. government and agencies	\$ 462,300	\$ 38,230	\$ 976,610	\$ 133,526	\$ 1,438,910	\$ 171,756
Municipal securities	661,944	22,129	1,034,481	54,603	1,696,425	76,732
Corporate securities	850,308	27,257	2,122,137	304,286	2,972,445	331,543
Residential mortgage-backed securities	108,946	3,132	334,160	52,589	443,106	55,721
Commercial mortgage-backed securities	37,677	1,146	459,780	64,408	497,457	65,554
Asset-backed securities	448,191	19,971	1,345,738	167,346	1,793,929	187,317
Other debt securities	10,444	211	69,635	3,234	80,079	3,445
Total fixed maturities	<u>2,579,810</u>	<u>112,076</u>	<u>6,342,541</u>	<u>779,992</u>	<u>8,922,351</u>	<u>892,068</u>
Equity securities:						
Financial services	24,017	2,565	73,939	10,348	97,956	12,913
Other	38,662	562	25,163	2,566	63,825	3,128
Total equity securities	<u>62,679</u>	<u>3,127</u>	<u>99,102</u>	<u>12,914</u>	<u>161,781</u>	<u>16,041</u>
Total available-for-sale	<u>\$ 2,642,489</u>	<u>\$ 115,203</u>	<u>\$ 6,441,643</u>	<u>\$ 792,906</u>	<u>\$ 9,084,132</u>	<u>\$ 908,109</u>

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(Dollars in Thousands)

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At December 31, 2011, the Company held 6,280 positions in fixed income and equity securities. The above table, as of December 31, 2011, includes 528 securities of 396 issuers. At December 31, 2011, 67% of the unrealized losses on fixed maturities were securities rated investment grade. Investment grade securities are defined as those securities rated AAA through BBB – by Standard & Poor's. At December 31, 2011, 33% of the unrealized losses on fixed maturities were on securities rated below investment grade. Equity securities in the above table consist primarily of non-redeemable preferred stocks. These securities are reviewed for impairment in the same manner as the fixed income securities. At December 31, 2011, fixed income and equity securities in an unrealized loss position had fair value equal to approximately 91% of amortized cost.

The following summarizes the unrealized losses by investment category as of December 31, 2011.

### *Municipal securities*

The municipal category, which represents 1% of the unrealized losses at December 31, 2011, includes bonds issued by state and local governments and school district tax credit bonds. The unrealized losses in this category are primarily the result of concerns regarding possible defaults by state and local governments. The Company does not believe there will be significant defaults in this sector in the short or long-term. The Company believes it will receive all amounts contractually due and it does not intend or believe it will be required to sell these securities prior to recovery of amortized cost, therefore an OTTI has not been recognized in this sector.

### *Corporate securities*

The largest unrealized losses in corporate securities, which represent 51% of unrealized losses at December 31, 2011, are in the financial services sector, primarily commercial banking. The unrealized losses in the banking sector are primarily attributable to the economic uncertainty in Europe, continuing wide spreads relative to other corporate sectors and concerns regarding the underlying credit quality of mortgage loans and other commercial loans. These concerns are impacting foreign banks and large U.S. national and regional banks. Other industry sectors with large unrealized losses include military housing, gaming and insurance. The Company reviews its security positions with unrealized losses on an on-going basis and recognizes OTTI if evidence indicates a loss will be incurred. In all other cases, if the Company does not intend to sell or believe it will be required to sell these securities before recovery of each security's amortized cost, the security is not considered to be other-than-temporarily impaired.

### *Residential mortgage-backed securities ("RMBS")*

The unrealized losses on RMBS, which represent 9% of unrealized losses at December 31, 2011, are concentrated in the non-agency sector and are primarily due to concerns regarding mortgage defaults on Alt-A and other risky mortgages. These concerns result in spreads widening on those securities that are being traded. The unrealized losses on these securities have narrowed as of December 31, 2011 compared to the unrealized losses at December 31, 2010 and 2009. The Company performs various stress tests on the cash flow projections for these securities and in situations where it is determined the projected cash flows cannot support the contractual amounts due the Company, an OTTI is recognized. In situations where the projected cash flows indicate the Company will receive the amounts it is contractually due and the Company does not intend or believe it will be required to sell these securities before recovery of its amortized cost, an OTTI is not recognized.

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(Dollars in Thousands)

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### *Commercial mortgage-backed securities (“CMBS”)*

The unrealized losses on CMBS, which represent 9% of unrealized losses at December 31, 2011, are primarily attributable to illiquidity in that sector and concerns regarding the potential for future commercial mortgage defaults. The market activity has improved for CMBS in 2011 and 2010 from prior levels. The unrealized losses on these securities have narrowed as of December 31, 2011 compared to the unrealized losses at December 31, 2010 and 2009. The Company has reviewed payment performance, delinquency rates, credit enhancements within the security structures and monitored the credit ratings of all its CMBS holdings. The Company did recognize OTTI on CMBS during 2010 and 2009 in situations where the projected cash flows indicated the Company would not receive all amounts contractually due from the securities. There was no OTTI in CMBS recognized in 2011. The Company has performed cash flow projection analyses on all of its other CMBS and in those situations where it appears the Company will receive all amounts contractually due and it does not intend to sell or believe it will be required to sell these securities prior to recovery of amortized cost, an OTTI is not recognized.

### *Asset-backed securities (“ABS”)*

The unrealized losses in ABS, which represent 28% of unrealized losses at December 31, 2011, are primarily related to collateralized debt obligations backed by various consumer and commercial finance loans. This category also includes structured notes backed by diversified investment portfolios. The unrealized losses are primarily due to wide credit spreads in this sector, particularly related to private placement ABS. The Company stress tests the projected cash flows of its ABS and recognizes OTTI in situations where the testing indicates the Company will not receive all amounts contractually due from the securities. This category also includes fixed income securities containing embedded derivatives. The Company did not recognize OTTI on ABS during 2011. Impairments were recognized in this sector during 2010. In those situations where it appears the Company will receive all amounts contractually due and it does not intend or believe it will be required to sell these securities prior to recovery of amortized cost, an OTTI is not recognized.

### *Other debt obligations*

This category primarily consists of credit tenant loans. The unrealized losses in this category are the result of concerns regarding the credit worthiness of the building tenants and illiquidity in this market sector. The unrealized losses on these securities have narrowed as of December 31, 2011 compared to the unrealized losses at December 31, 2010. The Company monitors the creditworthiness of the obligors and recognizes OTTI in situations where it is determined the Company will not receive all amounts contractually due from the securities. In those situations where it appears the Company will receive all amounts contractually due and it does not intend or believe it will be required to sell these securities prior to recovery of amortized cost, an OTTI is not recognized.

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(Dollars in Thousands)

### *Equity securities*

This category, which represents 2% of unrealized losses at December 31, 2011, primarily consists of non-redeemable preferred stocks in the financial services sector. The unrealized losses are the result of concerns regarding the quality of the underlying assets within the financial institutions, primarily banking institutions. The Company has recognized OTTI in situations where the Company has determined it will not receive all amounts contractually due. In other situations the Company has determined it does not intend to sell or believe it will be required to sell these securities prior to recovery of amortized cost and an OTTI has not been recognized.

### **Other-than-temporary impairments**

As a result of the Company's review of OTTI of investment securities, the Company recorded net impairment losses recognized in earnings during 2011, 2010 and 2009, as summarized in the following table:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Corporate securities	\$ 2,343	\$ 14,783	\$ 28,220
Residential mortgage-backed securities	4,787	9,067	3,986
Commercial mortgage-backed securities	-	32,798	37,570
Asset-backed securities	-	13,898	165
Commercial mortgage loans	397	1,036	1,530
	<u>          </u>	<u>          </u>	<u>          </u>
Net impairment loss recognized in earnings	<u>\$ 7,527</u>	<u>\$ 71,582</u>	<u>\$ 71,471</u>

The following is a roll-forward of credit losses for the years ended December 31, 2011 and 2010 on fixed maturities held by the Company for which a non-credit portion of an OTTI impairment was recognized in OCI:

	<u>2011</u>	<u>2010</u>
Balance, January 1	\$ 30,476	\$ 29,636
Additions for newly impaired securities	3,366	18,974
Reductions for impaired securities sold	<u>(14,130)</u>	<u>(18,134)</u>
Balance, December 31	<u>\$ 19,712</u>	<u>\$ 30,476</u>



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The amounts of non-credit related OTTI losses recorded on fixed maturities that remain in accumulated OCI at December 31, 2011 and 2010 are summarized as follows:

	<u>2011</u>	<u>2010</u>
Corporate securities	\$ 20,625	\$ 17,093
Residential mortgage-backed securities	2,621	98
Commercial mortgage-backed securities	-	2,221
Asset-backed securities	<u>1,154</u>	<u>601</u>
Total OTTI losses in accumulated OCI	<u>\$ 24,400</u>	<u>\$ 20,013</u>

### Investment income and investment gains (losses)

The major categories of investment income reflected in the consolidated statements of income are summarized as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Gross investment income			
Fixed maturities	\$ 1,192,940	\$ 1,101,486	\$ 1,134,910
Equity securities	24,836	24,824	24,005
Mortgage loans	17,354	14,246	13,591
Policy loans	23,456	22,068	21,830
Short-term investments	2,140	2,709	1,269
Derivative instruments	76,324	70,743	(70,064)
Other invested assets	<u>95,857</u>	<u>201,803</u>	<u>(26,654)</u>
Total gross investment income	1,432,907	1,437,879	1,098,887
Less: Investment expenses	<u>30,395</u>	<u>30,171</u>	<u>39,279</u>
Net investment income	<u>\$ 1,402,512</u>	<u>\$ 1,407,708</u>	<u>\$ 1,059,608</u>

Investment expenses primarily consist of investment advisor fees, interest expense on securities lending, interest on FHLB advances and interest related to derivative collateral liabilities.

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(Dollars in Thousands)

The major categories of realized investment gains and (losses) reflected in the consolidated statements of income are summarized as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Fixed maturities	\$ (3,423)	\$ 79,262	\$ 176,244
Equity securities	(1,892)	15,903	(19,902)
Mortgage loans	(2,891)	(491)	(600)
Short-term	-	(103)	(915)
	<u>          </u>	<u>          </u>	<u>          </u>
Net realized investment gains	<u>\$ (8,206)</u>	<u>\$ 94,571</u>	<u>\$ 154,827</u>

Proceeds from the sale of available-for-sale securities and the gross realized gains and losses on these sales (prior to gains (losses) ceded and excluding OTTI losses, maturities, calls, and prepayments) during 2011, 2010 and 2009 were as follows:

	<u>2011</u>		<u>2010</u>		<u>2009</u>	
	<u>Fixed</u>	<u>Equity</u>	<u>Fixed</u>	<u>Equity</u>	<u>Fixed</u>	<u>Equity</u>
	<u>Maturities</u>	<u>Securities</u>	<u>Maturities</u>	<u>Securities</u>	<u>Maturities</u>	<u>Securities</u>
Proceeds from sales	\$ 2,464,048	\$ 104,955	\$ 2,366,174	\$ 197,853	\$ 6,155,856	\$ 100,281
Gross realized gains	97,286	6,933	133,475	21,327	377,031	6,219
Gross realized losses	(116,364)	(11,713)	(72,294)	(4,702)	(215,126)	(26,122)

### Credit risk concentration

The Company generally strives to maintain a diversified invested assets portfolio. Other than investments in U.S. Government or U.S. Government Agency or Authority, the Company had the following investments that exceeded 10% of the Company's stockholder's equity at December 31, 2011:

Guggenheim Partners Opportunistic Investment Grade Securities Fund, LLC	\$ 551,718
--	------------

### Other

#### *Federal Home Loan Bank of Des Moines*

Midland National is a member of FHLB Des Moines. In order to maintain its membership, the Company was required to purchase FHLB equity securities that total \$25,619 as of December 31, 2011 and 2010. These securities are included in equity securities and are carried at cost, which approximates fair value. Resale of these securities is restricted only to FHLB. As a member of FHLB, the Company can borrow money, provided that FHLB's collateral and stock ownership requirements are met. The maximum amount a member can borrow is twenty times its FHLB investment. The interest rate and repayment terms differ depending on the type of advance and the

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term selected. At December 31, 2011 and 2010, the Company had outstanding advances of \$349,870 from FHLB (see Note 7).

### *Deposits with regulatory authorities*

At December 31, 2011 and 2010, securities with reported values of \$3,563 and \$3,554, respectively, were on deposit with regulatory authorities as required by law. These consist of fixed maturity securities reported in the consolidated balance sheets at fair value and have an amortized cost of \$3,181 and \$3,269, respectively.

### *Re-securitization*

During 2009, the Company completed a re-securitization transaction by transferring non-agency RMBS with a book value of \$309,888 to a special interest entity, which then transferred the securities to a non-affiliated Trust. The cash flows from the transferred securities will be used to service re-tranched and re-rated securities issued by the Trust. Upon completion of the re-securitization, the previous carrying amount of the transferred securities was allocated to the securities issued by the Trust. The Trust sold re-issued securities with an allocated book value of \$77,553 to unaffiliated third parties for cash proceeds of \$62,469. These proceeds were transferred to the Company along with the beneficial interests in the remaining re-securitized securities. The Company recognized a loss of \$15,084 related to this transaction. The beneficial interests in the remaining securities issued by the Trust had been retained by the Company and had a carrying value equal to the prior carrying value of the transferred securities less the carrying value allocated to the re-securitized securities sold. As of December 31, 2011, the beneficial interests in the remaining securities had a book value of \$198,105 and fair value of \$166,925.

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### 5. DERIVATIVES AND DERIVATIVE INSTRUMENTS

The following table presents the notional amounts and fair value of derivatives and derivative instruments:

	<u>December 31, 2011</u>		<u>December 31, 2010</u>	
	<u>Notional Amount</u>	<u>Fair Value</u>	<u>Notional Amount</u>	<u>Fair Value</u>
Assets:				
Derivative instruments:				
Put options (1)	\$ N/A	\$ -	\$ N/A	\$ 1
Interest rate swaps (1)	433,914	21,391	387,418	12,090
Credit default swaps - receive (1)	35,500	1,119	92,400	4,177
Interest rate floors (1)	113,000	14,201	113,000	4,983
Futures (1)	401,922	74,070	982,972	193,302
Call options (1)	3,885,115	122,396	3,279,125	209,210
Interest rate swaps - effective cash flow (2)	23,810	<u>2,165</u>	23,810	<u>1,893</u>
		<u>\$ 235,342</u>		<u>\$ 425,656</u>
Reinsurance receivables - embedded derivatives from reinsurance ceded:				
Indexed annuity products ceded (1)	N/A	\$ (15,850)	\$ N/A	\$ (23,614)
Indexed annuity funds withheld (1)	N/A	<u>144,330</u>	N/A	<u>49,675</u>
		<u>\$ 128,480</u>		<u>\$ 26,061</u>
Fixed maturities - asset-backed securities:				
Hybrid instruments (1)		<u>\$ 405,958</u>		<u>\$ 449,563</u>
Liabilities:				
Investment-type insurance contracts - embedded derivatives:				
Indexed life and annuity products (1)		<u>\$ (35,142)</u>		<u>\$ (40,622)</u>
Derivative instruments:				
Interest rate swaps (1)	\$ 3,609	\$ 136	\$ 19,707	\$ 499
Credit default swaps - receive (1)	-	-	23,350	318
Credit default swaps - pay (1)	56,000	<u>12,998</u>	56,000	<u>9,724</u>
		<u>\$ 13,134</u>		<u>\$ 10,541</u>

(1) Not designated as hedging instruments

(2) Designated as hedging instruments

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### Cash flow hedges

The Company has a number of investments which pay interest on a variable rate tied to a benchmark interest rate. The Company has entered into interest rate swaps that effectively convert the variable cash flows on specific fixed maturity securities to fixed over the life of the swaps. These swaps pay the Company fixed rates while the Company is obligated to pay variable rates based on the same benchmark interest rate as the hedged asset. The swaps are part of the Company's overall risk and asset-liability management strategy to reduce the volatility of cash flows and provide a better match to the characteristics of the Company's liabilities. These swaps are accounted for as cash-flow hedges and are reported at fair value in the consolidated balance sheets with the change in fair value reported as a component of OCI for the effective portion of the hedge. Periodic cash flow interest swap settlements and current period changes in the swap accruals are reported as a component of net investment income in the consolidated statements of income with the payable or receivable included in accrued investment income in the consolidated balance sheets. The stated fair value of the applicable interest rate swaps excludes the current period accruals.

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The following table presents the impact of cash flow hedges on the consolidated financial statements before adjustments to DAC, DSI, and deferred income taxes:

For the Year Ended December 31, 2011					
Effective Portion				Ineffective Portion	
Cash Flow Hedging Relationships	Gain (Loss) in OCI	Location of Gain (Loss)	Gain (Loss)	Location of Gain (Loss) in Income	Ineffective Gain (Loss) in Income
		Reclassified from Accumulated OCI into Income	Reclassified from Accumulated OCI into Income		
Interest rate swaps	\$272	Net realized investment gains (losses)	\$ -	Net gains (losses) on derivative instruments	\$ -

For the Year Ended December 31, 2010					
Effective Portion				Ineffective Portion	
Cash Flow Hedging Relationships	Gain (Loss) in OCI	Location of Gain (Loss)	Gain (Loss)	Location of Gain (Loss) in Income	Ineffective Gain (Loss) in Income
		Reclassified from Accumulated OCI into Income	Reclassified from Accumulated OCI into Income		
Interest rate swaps	\$ 611	Net realized investment gains (losses)	\$ -	Net gains (losses) on derivative instruments	\$ -

For the Year Ended December 31, 2009					
Effective Portion				Ineffective Portion	
Cash Flow Hedging Relationships	Gain (Loss) in OCI	Location of Gain (Loss)	Gain (Loss)	Location of Gain (Loss) in Income	Ineffective Gain (Loss) in Income
		Reclassified from Accumulated OCI into Income	Reclassified from Accumulated OCI into Income		
Interest rate swaps	\$ (2,243)	Net realized investment gains (losses)	\$ -	Net gains (losses) on derivative instruments	\$ -

### Fair value hedges

The Company had entered into interest rate swap agreements that paid a variable rate of interest to the Company and the Company paid a fixed rate of interest to the counterparty. These swaps hedged the fair value of specific available-for-sale fixed income securities and were important components of the Company's asset-liability management. During 2010, these interest rate swaps matured and, as a result, the Company had no fair value interest rate swaps in effect as of December 31, 2011 and 2010.

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It was anticipated that changes in the fair values of the fixed income securities due to changes in interest rates would be offset by a corresponding opposite change in the fair values of the interest rate swaps. These swaps were considered effective hedges and were reported in the consolidated balance sheets at fair value with the changes in fair value of the swaps and hedged available-for-sale fixed income investments reported as components of net gains (losses) on derivatives and derivative instruments in the consolidated statements of income.

The following table presents the impact of fair value hedges on the consolidated statements of income.

	<b>Gain (Loss) in Income</b>	
	<b>2010</b>	<b>2009</b>
Gains (losses) recognized in net gains (losses) on derivatives and derivative instruments:		
Interest rate swaps	\$ 508	\$ 309
Fixed rate fixed income securities	(314)	503
	<u>\$ 194</u>	<u>\$ 812</u>

### Indexed options and futures

The Company has indexed annuity and indexed universal life products that provide for a guaranteed base return and a higher potential return tied to several major equity market indices. In order to fund these benefits, the Company purchases over-the-counter index options that compensate the Company for any appreciation over the strike price and offsets the corresponding increase in the policyholder obligation. The Company also enters futures contracts and options to compensate it for increases in the same indices. The Company classifies these options and futures as derivative instruments.

The Company amortizes the cost of the indexed options against investment income over the term of the option, which is typically one year. When the options mature, the value received by the Company is reflected as net investment income in the consolidated statements of income.

The futures contracts have no initial cost and are marked to market daily. That daily mark-to-market is settled through the Company's variation margin accounts maintained with the counterparty. The Company reports the change in the difference between market value and amortized cost of indexed options and the change in the futures variation margin accounts as gains (losses) on derivatives and derivative instruments in the consolidated statements of income.

### Embedded derivatives related to indexed life and annuity products

The Company's indexed life and annuity products contain embedded derivatives. The fair value of the embedded options related to these direct and ceded policyholder obligations are based upon current and expected index levels and returns as well as assumptions regarding general policyholder behavior, primarily lapses and withdrawals. These projected benefit values are discounted to the current date using an assumed interest rate consistent with the duration of the liability adjusted to reflect the Company's credit risk and additional provision for adverse

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deviation. This value is then compared to the carrying value of the liability to calculate any gain or loss that is reflected in the consolidated statements of income as net gains (losses) on derivatives and derivative instruments.

The Company has two coinsurance with funds withheld reinsurance agreements with an unaffiliated reinsurer. Under applicable guidance, the Company's reinsurance agreements contain embedded derivatives that require bifurcation due to credit risks the reinsurer is assuming that are not clearly and closely related to the creditworthiness of the Company. The embedded derivatives contained in the funds withheld liability have characteristics similar to a total return swap since the Company cedes the total return on a designated investment portfolio to the outside reinsurer. The reinsurer assumes the interest credited to the policyholders on the policies covered by the treaties, which interest is relatively fixed. The Company has developed models based on the expected cash flows of the ceded annuity business to estimate the fair value of the policy liabilities. The value of the derivative embedded in the funds withheld coinsurance agreements is equal to the difference between the fair value of the assets in the funds withheld portfolio and the fair value of the policy liabilities estimated from cash flow models. The value of the embedded derivative is reported in the consolidated balance sheets in reinsurance receivables. The net change in the reported value of the embedded derivatives is reported in net gains (losses) on derivatives and derivative instruments in the consolidated statements of income.

See Note 10 for further discussion related to the Company's coinsurance with funds withheld reinsurance agreements.

### **Embedded derivatives related to hybrid financial instruments**

The Company holds hybrid financial instruments, fixed income securities with embedded derivatives, and has elected fair value measurement. These securities are reported in the consolidated balance sheets in fixed maturities, available-for-sale, at fair value. Any change in the fair value of the security is reported as net gains (losses) on derivatives and derivative instruments in the consolidated statements of income. The amortized cost and fair value of the Company's hybrid financial instruments at December 31, 2011 was \$410,600 and \$405,958, respectively. The amortized cost and fair value of the Company's hybrid financial instruments at December 31, 2010 was \$481,600 and \$449,563, respectively. The decision to elect fair value measurement is made on an instrument-by-instrument basis under the guidance. The Company will consider making an election of fair value measurement at the time of any future acquisitions of hybrid financial instruments.

### **Other derivative instruments**

The Company has also entered into interest rate floor, interest rate swap and credit default swap agreements to help manage its overall exposure to interest rate changes and credit events. These swaps do not hedge specific assets or liabilities and as such are not accounted for as effective hedges. Included in the non-hedge swaps are credit default swaps where the Company is a protection provider and a protection buyer. The Company holds interest rate floor agreements to protect itself against interest rates decreasing below its policy reserve guarantees. These swaps and floors are reported at fair value in the consolidated balance sheets and changes in the fair value are reported as a component of net gains (losses) on derivatives and derivative instruments in the consolidated statements of income. Included in the non-hedge swaps is the ineffective portions of



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cash flow swaps. Periodic interest rate and credit default swap settlements and current period changes in the swap accruals for these non-hedge swaps are reported as a component of net investment income in the consolidated statements of income with the payable or receivable included in accrued investment income in the consolidated balance sheets. The stated fair value of the applicable interest rate and credit default swaps excludes the current period accruals.

The following table presents the impact of derivatives and derivative instruments not designated as hedging instruments on the consolidated statements of income:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Gains (losses) recognized in net gains (losses) on derivatives and derivative instruments:			
Interest rate swaps	\$ 9,663	\$ 11,215	\$ (6,052)
Credit default swaps - receive	877	7,052	(4,542)
Credit default swaps - pay	(3,274)	6,869	20,271
Interest rate floors	9,218	1,354	(4,565)
Embedded derivatives in:			
Indexed life and annuity products	(5,480)	66,780	(442,636)
Indexed annuity products ceded	39,576	(7,881)	109,465
Indexed annuity funds withheld	94,654	36,867	(67,109)
Hybrid instruments	19,852	11,324	(40,492)
Futures	(47,765)	102,694	118,925
Options	(111,554)	(45,097)	158,847
	<u>\$ 5,767</u>	<u>\$ 191,177</u>	<u>\$ (157,888)</u>
Gains (losses) recognized in net investment income:			
Interest rate swaps	\$ 13,554	\$ 9,706	\$ (4,685)
Options	62,770	61,037	(65,379)
	<u>\$ 76,324</u>	<u>\$ 70,743</u>	<u>\$ (70,064)</u>

### Collateral on derivative instruments

Collateral posted by counterparties at December 31, 2011 and 2010 applicable to derivative instruments was \$63,809 and \$113,687, respectively, and is reflected in the consolidated balance sheets in short-term investments. The obligation to repay the collateral is reflected in the consolidated balance sheets in repurchase agreements, other borrowings and collateral on derivative instruments. Collateral posted by the Company at December 31, 2011 and 2010 applicable to derivative instruments was \$11,510 and \$8,950, respectively, and is reflected in the consolidated balance sheets as other receivables, other assets and property, plant and equipment.

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### 6. NONCONTROLLING INTERESTS AND VARIABLE INTEREST ENTITIES

The Company is a limited partner in a VIE in which it was previously considered the primary beneficiary. The variable interest entity, Guggenheim Partners Opportunistic Investment Grade Securities Fund, LLC (the "Fund"), is a private investment company that seeks to maximize total return by investing in a variety of fixed income sectors and assets. The Company held a 35% and 47% interest in the Fund as of December 31, 2011 and 2010, respectively. North American held a 18% and 23% interest in the Fund as of December 31, 2011 and 2010, respectively. The general partner of the Fund is a related party, Guggenheim Partners Asset Management, Inc. The Fund reports unrealized gains and losses on investments as a component of net income; therefore the Company reported these unrealized gains and losses in the same manner in 2009. The amount of unrealized gain in 2009 was \$35,795, and was reported in the accompanying consolidated statements of income as net unrealized gain from variable interest entity. The other operations of the Fund in 2009 were reported as components of net investment income and net realized investment gains.

Effective January 1, 2010, the Company adopted amended accounting guidance related to the consolidation of VIEs (see Note 2), and as a result, the Fund was deconsolidated. Under the new guidance, the Fund continues to qualify as a VIE as a result of the holders of the equity investment at risk lacking the power to direct the activities that most significantly impact the Fund's performance. This power is held solely by the general partner. In December 2009, the Company's interest in the Fund was approximately 50% and the Company concluded that under the new guidance it is no longer considered the primary beneficiary of the VIE. In accordance with the guidance, it lacks the power on its own to direct the activities of the Fund. Though the general partner is a related party, neither the Company nor SEI, have the power to influence the decision making of the general partner. As a result of this change, the Company removed the noncontrolling interest related to this entity. Because this occurred in December 2009, there was no cumulative effect adjustment recorded to retained earnings at January 1, 2010 in connection with the implementation of the new guidance. The Fund was deconsolidated as of January 1, 2010. The related net income attributable to noncontrolling interest included for the years ended December 31, 2011, 2010 and 2009 for the Fund is \$0, \$0 and \$57,373, respectively.

The changes in the Company's ownership interest in consolidated entities and the effect on stockholder's equity are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net income attributable to the Company	\$ 287,606	\$ 352,472	\$ 219,498
Transfers (to) from the noncontrolling interests:			
Increase (decrease) in paid-in capital for additional capital contributions to Guggenheim Partners Opportunistic Investment Grade Securities Fund, LLC	-	-	(16,880)
Change from net income attributable to the Company and transfers (to) from noncontrolling interests	<u>\$ 287,606</u>	<u>\$ 352,472</u>	<u>\$ 202,618</u>

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In addition, the Company has other investments in limited partnerships and a re-securitization trust that are reviewed to determine if they are VIEs. The VIEs are primarily limited partnerships formed for the purpose of purchasing fixed income and private equity securities. Financing for these VIEs is primarily accomplished through limited partnership contributions. The Company is a limited partner with no voting rights in the limited partnership VIEs. The Company's involvement with the re-securitization trust is limited due to a third-party manager. Certain of these investments were determined to be VIE's, but in each case the Company has determined it is not the primary beneficiary. The determination was based on the conclusion that the Company does not have the power to direct the activities of the VIEs that most significantly impact the entities' economic performance nor does the Company absorb the significant losses of the VIEs or have rights to a significant portion of their expected benefits. Except for amounts contractually required, the Company did not provide any further financial or other support to the VIEs.

The Company's maximum exposure to loss is based on additional commitments made to limited partnerships and the remaining beneficial interests held for the re-securitization trust. The Company's carrying amount of its asset compared to its maximum exposure to loss as of December 31, 2011 is as follows:

Limited partnerships	
Carrying amount of asset	\$ 889,972
Maximum exposure to loss	979,387
Resecuritization trust	
Beneficial interests held in trust	166,925
Maximum exposure to loss	166,925

## 7. BORROWINGS

At December 31, 2011 and 2010, the Company has outstanding borrowings of \$349,870 from the FHLB in accordance with the terms of its membership agreement. The purpose of the borrowings is to complement the Company's security lending program. The borrowings are reported as a component of repurchase agreements, other borrowings and collateral on derivative instruments in the consolidated balance sheets. The borrowings outstanding at December 31, 2011 have maturity dates in March and June of 2012 and November of 2013. The interest rates on the outstanding borrowings range from 0.39% to 0.72%. The Company renewed the borrowings that matured in March 2012 for a borrowing that will mature on March 17, 2014 at an interest rate of 0.68%. Interest expense incurred during 2011, 2010 and 2009 was \$1,940, \$2,381 and \$4,594, respectively, and is reported as a component of net investment income in the consolidated statements of income. The fair value of this borrowing approximates its reported value due to its short maturity.

In accordance with the FHLB membership agreement, the Company was required to purchase FHLB common stock. At December 31, 2011 and 2010 the Company held \$25,619 of FHLB common stock. In addition, the Company has posted agency MBS/CMO fixed income securities with fair values in excess of the amount of the borrowing as collateral.

On December 31, 2011 Solberg Re, the wholly owned limited purpose subsidiary domiciled in the State of Iowa, secured an irrevocable standby letter of credit ("LOC") from a large commercial

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bank. The LOC, which has an initial term of 13 years, has an aggregate maximum issuance amount of \$475,000, of which \$244,715 was issued and outstanding at December 31, 2011. The purpose of the LOC is to support redundant statutory required reserves on specific term life insurance policies issued by the Company and its affiliate, North American, and ceded to Solberg Re. The LOC can be drawn upon when actual policy benefits applicable to the specific life insurance term policies exceed specified thresholds. Solberg Re does not anticipate drawing funds against the LOC. Fees and expenses of approximately \$5,639 have been paid related to this LOC, which have been capitalized and are included in other receivables, other assets and property, plant and equipment on the consolidated balance sheets. The capitalized fees will be amortized over the life of the facility. There was no amortization recognized in 2011. In addition, a quarterly fee equal to 1.45% per annum of the outstanding LOC will be paid during the life of the facility.

### 8. DAC, DSI and PVFP

Policy acquisition costs of new and acquired business deferred and amortized for the years ended December 31, 2011, 2010 and 2009 are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
DAC, beginning of year	\$ 1,502,244	\$ 1,798,826	\$ 2,012,764
Commissions deferred	214,272	220,875	201,236
Underwriting and acquisition expenses deferred	38,465	42,727	41,655
Reduction due to reinsurance ceded	-	-	(28,047)
Change in offset to unrealized (gains) losses	(149,670)	(342,599)	(257,756)
Amortization related to operations	(219,230)	(224,916)	(202,808)
Amortization related to realized (gains) losses	2,518	(1,150)	8,247
Amortization related to derivatives	8,549	8,481	23,535
	<u>          </u>	<u>          </u>	<u>          </u>
DAC, end of year	<u>\$ 1,397,148</u>	<u>\$ 1,502,244</u>	<u>\$ 1,798,826</u>

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The composition of DSI for the years ended December 31, 2011, 2010 and 2009 is summarized below:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
DSI, beginning of year	\$ 455,628	\$ 626,447	\$ 764,191
Sales inducement costs deferred	81,990	92,331	77,002
Increase (reduction) due to recapture of reinsurance	-	258	(2,423)
Change in offset to unrealized (gains) losses	(84,826)	(182,643)	(152,077)
Amortization related to operations	(84,315)	(82,583)	(72,939)
Amortization related to realized (gains) losses	1,578	131	3,552
Amortization related to derivatives	4,299	1,687	9,141
	<u>\$ 374,354</u>	<u>\$ 455,628</u>	<u>\$ 626,447</u>

The composition of the PVFP for the years ended December 31, 2011, 2010 and 2009 is summarized below:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
PVFP, beginning of year	\$ 21,015	\$ 21,767	\$ 34,020
Increase due to recapture of reinsurance ceded	-	3,567	-
Change in offset to unrealized (gains) losses	-	-	(7,678)
Amortization	(3,839)	(4,319)	(4,575)
	<u>\$ 17,176</u>	<u>\$ 21,015</u>	<u>\$ 21,767</u>

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### 9. PROPERTY, PLANT AND EQUIPMENT

The major classifications of property, plant and equipment recorded in the consolidated balance sheets as a component of other receivables, other assets and property, plant and equipment are as follows:

	<b>Range of Useful Lives</b>	<b>2011</b>	<b>2010</b>
Land	-	\$ 3,029	\$ 3,029
Buildings and improvements	20 - 39 years	18,746	18,717
Leasehold improvements	10 - 40 years	1,855	1,691
Furniture and fixtures	10 years	7,293	6,973
Computer equipment and software	3 - 10 years	37,421	40,639
Other	3 - 5 years	40	40
		<u>68,384</u>	<u>71,089</u>
Accumulated depreciation		<u>(27,935)</u>	<u>(25,745)</u>
		<u>\$ 40,449</u>	<u>\$ 45,344</u>

Depreciation expense was \$6,099, \$5,594 and \$5,086 for the years ended December 31, 2011, 2010 and 2009, respectively.

### 10. REINSURANCE

The Company is primarily involved in the cession and, to a lesser degree, assumption of life and annuity reinsurance with other companies. Reinsurance premiums and claims ceded and assumed for the years ended December 31 are as follows:

	<b>2011</b>		<b>2010</b>		<b>2009</b>	
	<u>Ceded</u>	<u>Assumed</u>	<u>Ceded</u>	<u>Assumed</u>	<u>Ceded</u>	<u>Assumed</u>
Premiums and deposits on investment contracts	\$ 533,766	\$ 9,034	\$ 353,374	\$ 1,340	\$ 489,965	\$ 1,001
Claims and investment contract withdrawals	212,969	1,337	210,711	1,763	198,117	256

The Company is party to two funds withheld coinsurance agreements with a third-party reinsurer. These are indemnity agreements that cover 50% of substantially all policies of specific annuity plans issued from January 1, 2002 through March 31, 2005, 60% of substantially all policies of specific annuity plans issued from April 1, 2005 through February 29, 2008, and 50% of substantially all policies of specific annuity plans issued since March 1, 2008. In these agreements, the Company agrees to withhold, on behalf of the assuming company, assets equal to the statutory liabilities associated with these policies. The Company has netted the funds withheld liability of \$4,113,910 and \$4,035,855 against the reserve credits of \$4,840,062 and \$4,628,996 in reinsurance receivables in the December 31, 2011 and 2010 consolidated balance sheets, respectively. The reserve credits contain embedded derivatives as discussed in Note 5.

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The Company is a party to a coinsurance agreement with GLAC. This is an indemnity agreement that covers 100% of all policies issued from January 1, 2008 through September 30, 2009 of specific annuity plans. Reserve credits of \$584,429 and \$585,225 associated with this agreement are reported as a component of reinsurance receivables in the December 31, 2011 and 2010 consolidated balance sheets, respectively.

On December 31, 2010, MNL Re entered into a coinsurance agreement with North American. In accordance with the coinsurance agreement North American ceded a defined block of permanent life insurance products to MNL Re. At December 31, 2011, MNL Re assumed reserves of \$480 which are included in reinsurance receivables and received premiums of \$5,227 from North American. MNL Re paid experience refunds to North American of \$4,738 for the year ended December 31, 2011. For the year ended December 31, 2010, there were no assumed reserves, reinsurance receivables, or experience refunds paid.

On December 31, 2011, Solberg Re entered into a coinsurance agreement with North American. In accordance with the coinsurance agreement North American ceded a defined block of term life insurance to Solberg Re. At December 31, 2011 Solberg Re assumed reserves of \$56,395, which are included in reinsurance receivables and received premiums of \$7,668 from North American.

Premiums, interest sensitive life and investment product charges, and benefits incurred are stated net of the amounts of premiums and claims assumed and ceded. Policyholder account balances, policy benefit reserves, and policy claims and benefits payable are reported gross of the related reinsurance receivables. These receivables are recognized in a manner consistent with the liabilities related to the underlying reinsured contracts.

### 11. ACCUMULATED OTHER COMPREHENSIVE INCOME

The components of accumulated OCI are as follows:

	<u>2011</u>	<u>2010</u>
Net unrealized gain (loss)		
Available-for-sale securities	\$ 1,469,788	\$ 213,426
Certain interest rate swaps	2,165	1,893
Non-credit portion of OTTI losses	(24,400)	(20,013)
Intangibles	(253,949)	(39,217)
Pension liability:		
Unrecognized actuarial net gains (losses)	(22,075)	(17,061)
Postretirement liability:		
Unrecognized actuarial net gains (losses)	(9,547)	(3,748)
Unrecognized prior service costs	931	1,048
Deferred income taxes	<u>(407,020)</u>	<u>(47,715)</u>
Accumulated other comprehensive gain (loss)	<u>\$ 755,893</u>	<u>\$ 88,613</u>

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The following table sets forth the changes in each component of accumulated OCI:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net unrealized gain (loss)			
Available-for-sale securities	\$ 1,243,917	\$ 1,549,789	\$ 971,529
Certain interest rate swaps	272	611	(2,243)
Non-credit portion of OTTI losses	(4,387)	(7,193)	(12,820)
Intangibles	(214,732)	(494,518)	(408,899)
Reclassification adjustment for (gains) losses released into income	12,445	(161,232)	(86,401)
Pension liability:			
Amortization of net loss in net periodic benefit expense	1,450	647	346
Net gain (loss) recognized in accrued benefit costs	(6,464)	(5,676)	(3,775)
Postretirement liability:			
Amortization of net gain (loss) in net periodic benefit expense	504	103	29
Amortization of prior service costs	(117)	(117)	75
Net gain (loss) recognized in accrued benefit costs	(6,303)	(1,854)	(592)
Prior service costs arising in current year	-	-	1,458
Deferred income taxes	<u>(359,305)</u>	<u>(308,196)</u>	<u>(160,548)</u>
Net other comprehensive gain (loss)	<u>\$ 667,280</u>	<u>\$ 572,364</u>	<u>\$ 298,159</u>

The unrealized gain (loss) on available-for-sale securities, certain interest rate swaps, and non-credit portion of OTTI losses is adjusted by intangibles and deferred income taxes and is included in the statements of stockholder's equity.

## 12. INCOME TAXES

The significant components of income tax expense (benefit) are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current	\$ 18,207	\$ 111,757	\$ 120,089
Deferred	90,940	20,151	(17,781)
Total income tax expense	<u>\$ 109,147</u>	<u>\$ 131,908</u>	<u>\$ 102,308</u>



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Total income tax expense attributable to income before taxes differs from the amounts that would result from applying the U.S. Federal statutory income tax rate of 35% in 2011, 2010 and 2009 are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
At statutory federal income tax rate	\$ 138,863	\$ 169,533	\$ 104,735
Dividends received deductions	(1,112)	(1,484)	(497)
Tax credits	(33,010)	(32,473)	(4,585)
Other, net	4,406	(3,668)	2,655
Total income tax expense	<u>\$ 109,147</u>	<u>\$ 131,908</u>	<u>\$ 102,308</u>

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Deferred income tax assets		
Policy liabilities and reserves	\$ 609,070	\$ 683,028
Investments	-	-
Other, net	50,282	40,593
Total deferred income tax assets	<u>659,352</u>	<u>723,621</u>
Deferred income tax liabilities		
Present value of future profits of acquired business	(6,012)	(7,355)
Investments	(516,328)	(102,417)
Deferred policy acquisition costs and deferred sales inducements	(524,842)	(551,434)
Total deferred income tax liabilities	<u>(1,047,182)</u>	<u>(661,206)</u>
Net deferred income tax asset (liability)	<u>\$ (387,830)</u>	<u>\$ 62,415</u>

If the Company determines that any of its deferred tax assets will not result in future tax benefits, a valuation allowance must be established for the portion of these assets that are not expected to be realized. Based upon a review of the Company's anticipated future taxable income and after considering all other available evidence, both positive and negative, the Company's management concluded that it is more likely than not that the gross deferred tax assets will be realized, and no valuation allowance is necessary.

The Company does not expect any significant changes to its liability for unrecognized tax benefits during the next twelve months. The Company recognizes interest and/or penalties as a component of tax expense. The Company did not have any accrued interest and penalties at December 31, 2011 and 2010.

The IRS concluded an examination of the Company's income tax returns for 2007 through 2008 during the year ended December 31, 2011. No significant adjustments were recorded as a result of the examination.

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### 13. STATUTORY FINANCIAL DATA AND DIVIDEND RESTRICTIONS

The Company is domiciled in Iowa and its statutory-basis financial statements are prepared in accordance with accounting practices prescribed or permitted by the insurance department of the domiciliary state. "Prescribed" statutory accounting practices include state laws, regulations, and general administrative rules, as well as a variety of publications of the National Association of Insurance Commissioners ("NAIC"). "Permitted" statutory accounting practices encompass all accounting practices that are not prescribed. Such practices differ from state to state and company to company.

There were no permitted practices used by the Company in 2011; however, prescribed practices used by the Company in 2011 include the following:

1. In 2006 Iowa issued a prescribed practice that allows other than market value for assets held in separate accounts where general account guarantees are present on such separate accounts. As a result, the Company carries the assets of the separate accounts related to its bank owned life insurance products at book value.
2. In 2008 Iowa issued a prescribed practice to account for call option derivative assets that hedge the growth in interest credited to the hedged policy as a direct result of changes in the related indices at amortized cost. Other derivative instruments such as indexed futures, swaps and swaptions that may be used to hedge the growth in interest credited to the policy as a direct result of changes in the related indices would still be accounted for at fair value since an amortized cost for these instruments does not exist. As a result, the Company elected to establish a voluntary reserve to offset to increases in the values of these other derivative instruments. The prescribed practice also provides guidance to determine indexed annuity reserve calculations based on the Guideline 35 Reserve assuming the market value of the call option(s) associated with the current index term is zero, regardless of the observable market for such option(s). At the conclusion of the index term, credited interest is reflected in the reserve as realized, based on actual index performance. The Company adopted this prescribed practice in 2008.

The combined effect of applying these prescribed practices in 2011 decreased the Company's statutory-based surplus by \$59,388. The risk-based capital excluding the effect of these prescribed practices would not have resulted in a regulatory trigger event.

Generally, the net assets of an Iowa domiciled insurance company available for distribution as ordinary dividends to its stockholders are limited to the amounts by which the net assets, as determined in accordance with statutory accounting practices, exceed paid-in and contributed surplus. All payments of extraordinary dividends to stockholders are subject to approval by regulatory authorities. The maximum amount of dividends that can be paid by the Company during any 12-month period, without prior approval of the Iowa insurance commissioner, is limited according to statutory regulations and is a function of statutory equity and statutory income (generally, the greater of prior year statutory-basis net gain from operations or 10% of prior year-end statutory-basis surplus as regards policyholders). The Company paid dividends of \$114,692, \$92,260 and \$51,617 in 2011, 2010 and 2009, respectively. Dividends payable in 2012 up to approximately \$285 million will not require prior approval of regulatory authorities.

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The statutory net gain from operations of the Company for the years ended December 31, 2011, 2010 and 2009, is approximately \$326,031, \$284,969 and \$83,327, respectively, and reported surplus as regards policyholders at December 31, 2011, 2010 and 2009, is \$1,854,241, \$1,639,725 and \$1,391,869, respectively, in accordance with statutory accounting principles.

### 14. OPERATING LEASES

The Company leases certain equipment and office space. Rental expense of \$4,224, \$4,231 and \$3,749 was incurred in 2011, 2010 and 2009, respectively. Approximate future minimum lease payments under noncancellable leases are as follows:

<u>Year ending December 31,</u>	
2012	\$ 2,985
2013	2,806
2014	2,708
2015	2,511
2016	1,963
Thereafter	7,909
	<u>\$ 20,882</u>

### 15. EMPLOYEE BENEFIT PLANS

#### **Defined benefit pension plan and post-retirement health care benefits**

The Company, via its insurance subsidiary, participates in noncontributory defined benefit pension plan ("Pension Plan") sponsored by SEI covering certain full-time employees. In addition, the Company provides, via its insurance subsidiary, certain post-retirement health care benefits through a health and welfare benefit plan ("Other Benefit Plan") and life insurance benefits for eligible active and retired employees.

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The information for the Pension Plan and Other Benefits Plan, which reflects an allocation of the Company's portion of the SEI plans at December 31, is as follows:

	Pension Plan		Other Benefit Plan	
	2011	2010	2011	2010
<b>Obligation and funded status</b>				
Accumulated benefit obligation	\$ (53,974)	\$ (43,967)	\$ (24,168)	\$ (16,297)
Fair value of plan assets	45,527	36,383	-	-
Underfunded status	<u>(8,447)</u>	<u>(7,584)</u>	<u>(24,168)</u>	<u>(16,297)</u>
Accrued benefit liability recognized in other liabilities	<u>(8,447)</u>	<u>(7,584)</u>	<u>(24,168)</u>	<u>(16,297)</u>
<b>Changes in liability for benefits recognized in accumulated OCI (pre-tax)</b>				
Beginning balance	\$ (17,061)	\$ (12,032)	\$ (2,700)	\$ (832)
Net (gain) loss amortized into net periodic benefit cost	1,450	647	387	(14)
Net gain (loss) arising during the period	<u>(6,464)</u>	<u>(5,676)</u>	<u>(6,303)</u>	<u>(1,854)</u>
Balance at December 31	<u>(22,075)</u>	<u>(17,061)</u>	<u>(8,616)</u>	<u>(2,700)</u>
<b>Changes in deferred taxes recognized in accumulated OCI</b>				
	<u>\$ (1,755)</u>	<u>\$ (1,760)</u>	<u>\$ (2,071)</u>	<u>\$ (654)</u>

	Pension Plan			Other Benefit Plan		
	2011	2010	2009	2011	2010	2009
<b>Additional information</b>						
Net periodic benefit income (costs)	\$ (849)	\$ (345)	\$ 45	\$ 2,218	\$ (1,403)	\$ 1,438
Net periodic benefit cost reclassified from accumulated OCI	(1,450)	(647)	(346)	(387)	14	(104)
Employer contributions	5,000	5,000	-	263	430	331
Employee contributions	-	-	-	185	152	122
Benefit payments	531	449	363	491	582	453

### Actuarial assumptions

Weighted-average assumptions used to determine benefit obligations as of December 31:

Discount rate	4.27%	5.33%	5.88%	4.28%	5.12%	5.50%
Expected return on plan assets	7.00%	7.00%	7.00%	N/A	N/A	N/A

Weighted-average assumptions used to determine net costs for the years ended December 31:

Discount rate	5.33%	5.88%	5.88%	5.50%	5.50%	6.25%
Expected return on plan assets	7.00%	7.00%	7.00%	N/A	N/A	N/A

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The following estimated future benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

<b>Year ending December 31,</b>	<b>Pension Plan</b>	<b>Other Benefit Plan</b>
2012	\$ 1,192	\$ 597
2013	1,353	646
2014	1,562	701
2015	1,707	772
2016	1,853	847
2017-2021	12,016	5,409

### **Pension Plan**

Effective December 31, 2004, the Company approved a plan amendment to freeze the participants' accounts of the noncontributory defined benefit Pension Plan, which has the effect of establishing each participant's earned accrued benefit as of December 31, 2004. In addition, the participants' benefits shall be payable pursuant to the terms of the Pension Plan to the extent each participant is or becomes 100% vested in such accrued benefits.

In 2011, 2010 and 2009, the Pension Plan recorded an actuarial loss of \$8,220, \$5,082 and \$3,775, respectively, due to demographic experience, including assumption changes, and investment returns that vary from assumptions made during the prior year.

For 2011 and 2010, the plan sponsor's weighted-average expected long-term rate of return on assets was 7.00%. In developing this assumption, the plan sponsor evaluated input from its third party pension plan asset managers, including their review of asset class return expectations and long-term inflation assumptions. The plan sponsor also considered its historical average return, which was in line with the expected long-term rate of return assumption for 2011.

The Pension Plan asset allocation as of the measurement date and target asset allocation, presented as a percentage of total plan assets, were as follows:

	<b>2011 Target</b>	<b>2011</b>	<b>2010</b>
Cash equivalents and fixed income securities	65%	65%	63%
Mutual funds, hedge funds and other	35%	35%	37%
Total	100%	100%	100%

It is the plan sponsor's policy to invest Pension Plan assets in a diversified portfolio consisting of an array of assets matching the target asset allocations investment strategies above. The assets are managed with a view to ensuring that sufficient liquidity will be available to meet the expected cash flow requirements of the plan. The investment risk of the assets is limited by appropriate

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diversification both within and between asset classes. To achieve the desired returns, the plan assets are invested primarily in a variety of individual fixed income securities matched to the plan's liabilities as well as diversified equity portfolio comprised of assets that are expected to generate an excess return over the return associated with the plan. This equity portfolio is expected to achieve long-term returns similar to the return on equities with reduced volatility through the use of option overlay, geographic diversification and a focus on strategies with higher income generation capacity. The following table summarizes the valuation of the Company's Pension Plan assets carried at fair value as of December 31, 2011 and 2010 by asset class:

	<b>December 31, 2011</b>			
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total</b>
Cash equivalents (A)	\$ 2,114	\$ -	\$ -	\$ 2,114
Fixed income securities (B)				
Corporate debt instruments	-	23,966	-	23,966
Foreign debt obligations	-	1,134	-	1,134
Other governmental/municipal agencies	-	2,312	-	2,312
Equity-based investments:				
Mutual Funds (C)	15,160	-	-	15,160
Hedge Funds (D)	-	-	841	841
	<u>\$ 17,274</u>	<u>\$ 27,412</u>	<u>\$ 841</u>	<u>\$ 45,527</u>

  

	<b>December 31, 2010</b>			
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total</b>
Cash equivalents (A)	\$ 2,001	\$ -	\$ -	\$ 2,001
Fixed income securities (B)				
U.S. Treasury	-	6,736	-	6,736
Other governmental/municipal agencies	-	1,669	-	1,669
Corporate debt instruments	-	11,619	-	11,619
Foreign debt obligations	-	893	-	893
Equity securities - warrants (E)	5	-	-	5
Hedge Funds (D):				
Equity securities	-	-	7,751	7,751
Other	-	-	413	413
Distressed debt	-	-	147	147
Multi-strategy	-	-	5,149	5,149
	<u>\$ 2,006</u>	<u>\$ 20,917</u>	<u>\$ 13,460</u>	<u>\$ 36,383</u>

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- (A) Cash equivalents are held in a readily accessible money market fund. The fund is managed pursuant to regulations whereby the fund expects to maintain a stable value of \$1.00 per share.
- (B) Fixed income investments are generally based on quoted prices in active markets. When quoted prices are not available, fair value is determined based on valuation models that use inputs such as interest-rate yield curves, cross-currency basis index spreads and country-specific credit spreads similar to the bond in terms of issuer maturity and seniority.
- (C) Mutual funds are registered investments that are priced at NAV at the end of each day. The funds that are invested in equities across a broad investment spectrum, including mid-cap, large cap, emerging and developed markets, liquid real estate and infrastructure.
- (D) Hedge funds are primarily valued by each fund's administrator based upon the valuation of the underlying assets by applying methodologies as appropriate to the specific security/instrument. In 2011, substantially all investments held in hedge funds were liquidated and, accordingly, these investments are presented as a single asset class in 2011. Hedge fund investments include:
- Equity securities* - investments across the capitalization and style spectrum. The investment manager can make investments in both U.S. and International equity securities.
- Other* - assets in liquidation mode.
- Distressed debt* - investments in various securities that are generally trading at material discounts relative to their par or face value as a result of either formal bankruptcy proceedings or financial market perception of near term proceedings.
- Multi-strategy* - investments that identify attractive valuations across multiple markets, currencies and types of securities.
- (E) The fair value of warrants is based on the underlying quoted prices in active markets for identical assets.

The tables below set forth a summary of changes in the fair value of the Pension Plan's level 3 investment assets for the years ended December 31 2011 and 2010:

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	<u>Equity Securities</u>	<u>Other</u>	<u>Distressed Debt</u>	<u>Multi- strategy</u>	<u>Total</u>
Balance at January 1, 2011	\$ 7,751	\$ 413	\$ 147	\$ 5,149	\$ 13,460
Actual return on plan assets:					
Held at end of the period	7	1	(12)	(1)	(5)
Sold during the period	210	(54)	-	(165)	(9)
Purchases, sales and settlements, net	<u>(7,586)</u>	<u>(73)</u>	<u>(47)</u>	<u>(4,899)</u>	<u>(12,605)</u>
Balance at December 31, 2011	<u>\$ 382</u>	<u>\$ 287</u>	<u>\$ 88</u>	<u>\$ 84</u>	<u>\$ 841</u>

	<u>Equity Securities</u>	<u>Other</u>	<u>Distressed Debt</u>	<u>Multi- strategy</u>	<u>Total</u>
Balance at January 1, 2010	\$ 8,750	\$ 1,338	\$ 814	\$ 4,857	\$ 15,759
Actual return on plan assets:					
Held at end of the period	1,466	177	105	750	2,498
Sold during the period	(227)	8	30	19	(170)
Purchases, sales and settlements, net	<u>(2,238)</u>	<u>(1,110)</u>	<u>(802)</u>	<u>(477)</u>	<u>(4,627)</u>
Balance at December 31, 2010	<u>\$ 7,751</u>	<u>\$ 413</u>	<u>\$ 147</u>	<u>\$ 5,149</u>	<u>\$ 13,460</u>

Pension plan funding requirements for 2012 will be determined based upon actuarial requirements.

The estimated amortization of net loss for the pension plan in 2012 is \$2,449. The estimated 2012 net periodic benefit expense for the pension plan is \$1,320. In 2012 a 50 basis point increase to the discount rate projected at 4.27% would result in net periodic cost of \$607 and a 50 basis point decrease would result in net periodic cost of \$2,127. In 2012 a 50 basis point increase to the expected rate of return on assets projected at 7.00% would result in net periodic cost of \$1,563 and a 50 basis point decrease would result in net periodic cost of \$1,076.

### Other Benefit Plan

In 2011, 2010 and 2009, the other benefit plan recorded an actuarial loss of \$2,933, \$1,854, and \$592, respectively, due to assumption changes and demographic experience different from rates assumed during the prior year.

For measurement purposes, a 9.00% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2010. The rate was assumed to decrease gradually to 4.50% over a five year period, and remain level thereafter. For 2011, an 8.00% assumed annual rate of increase in the per capita cost of healthcare benefits gradually decreases to 4.20% by 2084.

The estimated 2012 amortization of net loss and prior service cost for the Other Benefit Plan is \$296. The estimated 2011 net periodic benefit expense for the Other Benefit Plan is \$2,366.

### Employee stock ownership plan

The Company participates in an Employee Stock Ownership Plan ("ESOP") sponsored by SEI covering certain full-time employees. Prior to 2010, the majority of SEI's stock was held in the Charles A. Sammons 1987 Charitable Remainder Trust Number Two (the "CRT"). Prior to his



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death in 1988, Charles A. Sammons, the founder of SEI, established the CRT. The death of his widow, Elaine D. Sammons, in January 2009, initiated the process of settling the CRT. In January 2010, the 7,664,402 shares of the SEI stock held by the CRT were transferred to the ESOP (the "Transfer") as unallocated shares, which completed the settlement of the CRT. As of December 31, 2010 the ESOP owns 99.99% of the outstanding stock of SEI.

Subsequent to the Transfer and commencing in 2010, compensation expense continued to be recognized as shares to participants are committed to be released. In 2011 and 2010, the offset was recorded to paid-in capital in the balance sheet.

Compensation expense of \$13,301, \$12,247 and \$10,838 for 2011, 2010 and 2009, respectively was recorded related to the ESOP.

### 16. OTHER RELATED PARTY TRANSACTIONS

The Company pays fees to SEI under management contracts that cover certain investment, accounting, employee benefits and management services. The Company was charged \$7,940, \$11,200 and \$10,626 in 2011, 2010 and 2009, respectively, related to these contracts.

Guggenheim Partners Asset Management, Inc. ("Guggenheim") provides investment management services for the Company. During 2011, 2010 and 2009, the Company incurred \$24,764, \$23,674 and \$16,750, respectively, for these investment management services. The fee is calculated based on the average fair value of invested assets under management multiplied by a contractual rate.

Guggenheim is the general partner of the Fund, a private investment company and VIE. See Note 6 for further discussion of this VI.

The Company holds a mortgage loan on the property of an indirect affiliate, The Grove Park Inn. The balance of the loan was \$48,519 and \$49,287 as of December 31, 2011 and 2010, respectively. The Company earned interest income on the loan of \$3,675, \$3,741 and \$1,715 in 2011, 2010 and 2009, respectively.

The Company is also a party to two coinsurance agreements with a reinsurer that is a subsidiary of Guggenheim. The Company receives fees under a service contract that became effective December 2009 which covers specified accounting and financial reporting services. The service fees received were \$355, \$304 and \$0 in 2011, 2010 and 2009, respectively. See Note 10 for further discussion of these transactions.

The Company pays sales commissions to Sammons Securities, Inc. ("SSI"), a broker-dealer company, associated with the variable life and annuity premiums placed with the Company's separate account funds and other fixed annuity product sales. The Company incurred commissions of approximately \$516, \$711 and \$659 in 2011, 2010 and 2009, respectively, related to SSI sales.

### 17. COMMITMENTS AND CONTINGENCIES

The Company has, in the normal course of business, claims and lawsuits filed against it. In some cases the damages sought are substantially in excess of contractual policy benefits. The Company believes these claims and lawsuits, either individually or in aggregate, will not materially affect the Company's financial position or results of operations.

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At December 31, 2011, the Company had outstanding capital commitments to limited partnerships of \$89,415.

The Company makes funding commitments to various private placement bond issuers. As of December 31, 2011, the Company had \$37,149 of outstanding private placement bond funding commitments.

Under insurance guaranty fund laws, in most states insurance companies doing business therein can be assessed up to prescribed limits for policyholder losses incurred by insolvent companies. The Company does not believe such assessments will be materially different from amounts already provided for in the consolidated financial statements. Most of these laws do provide, however, that an assessment may be excused or deferred if it would threaten an insurer's own financial strength.

### **18. SUBSEQUENT EVENTS**

The Company evaluated subsequent events through March 28, 2012 which is the date the consolidated financial statements were available to be issued. There were no subsequent event transactions that required disclosure in the consolidated financial statements.



**Midland National Life  
Insurance Company  
Separate Account A**  
Financial Statements  
December 31, 2011 and 2010

**Midland National Life Insurance Company**  
**Separate Account A**  
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## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder of  
Midland National Life Insurance Company and  
Policy Holders of Midland National Life Insurance  
Company Separate Account A:

In our opinion, the accompanying statements of assets and liabilities and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of the subaccounts of Midland National Life Insurance Company Separate Account A (which includes the Fidelity Variable Insurance Products Fund I, the Fidelity Variable Insurance Products Fund II, the Fidelity Variable Insurance Products Fund III, the American Century Variable Portfolios, Inc., the MFS Variable Insurance Trust, the Lord Abbett Series Fund, Inc., the Alger Fund, the Invesco Variable Insurance Funds, the Van Eck Worldwide Insurance Trust, the PIMCO Variable Insurance Trust, the Goldman Sachs Variable Insurance Trust, the Neuberger Berman Advisors Management Trust, the Premier VIT, the ProFunds VP, and the Vanguard Variable Insurance Funds subaccount thereof) at December 31, 2011, the results of each of their operations for the year then ended, the changes in each of their net assets for each of the two years in the period then ended and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of Midland National Life Insurance Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of the number of shares owned at December 31, 2011 by correspondence with the custodians, provide a reasonable basis for our opinion.

April 24, 2012

# Midland National Life Insurance Company

## Separate Account A

### Accumulated Total for All Portfolios

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, (cost \$425,624,428)	\$439,194,440	Dividend income	\$ 6,396,691
		Capital gains distributions	3,408,368
Liabilities	-		<u>9,805,059</u>
Net assets	<u>\$439,194,440</u>	Expenses:	
		Administrative expense	78,723
		Mortality and expense risk	3,284,364
			<u>3,363,087</u>
		Net investment income	6,441,972
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	21,457,620
		Change in net unrealized depreciation on investments	<u>(44,856,921)</u>
		Net decrease in net assets resulting from operations	<u>\$ (16,957,329)</u>

#### Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010

	2011	2010
Net assets at beginning of year	\$482,400,270	\$437,182,035
Net (decrease) increase in net assets resulting from operations	(16,957,329)	68,429,926
Capital shares transactions		
Net premiums	47,130,565	45,362,050
Transfers of policy loans	6,300,743	636,310
Transfers of cost of insurance	(31,944,288)	(31,985,000)
Transfers of surrenders	(27,744,623)	(29,322,209)
Transfers of death benefits	(109,823)	(864,655)
Transfers of other terminations	(4,959,620)	(4,648,521)
Interfund and net transfers to general account	<u>(14,921,455)</u>	<u>(2,389,666)</u>
Net decrease in net assets from capital share transactions	<u>(26,248,501)</u>	<u>(23,211,691)</u>
Total (decrease) increase in net assets	<u>(43,205,830)</u>	<u>45,218,235</u>
Net assets at end of year	<u>\$439,194,440</u>	<u>\$482,400,270</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**Fidelity Variable Insurance Products Fund I Money Market Portfolio**

<b>Statement of Assets and Liabilities</b> December 31, 2011		<b>Statement of Operations</b> Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 14,572
9,133,394 shares (cost \$9,133,394)	\$ 9,133,394	Capital gains distributions	-
			<u>14,572</u>
Liabilities	-	Expenses:	
		Administrative expense	1,831
Net assets	<u>\$ 9,133,394</u>	Mortality and expense risk	97,848
			<u>99,679</u>
		Net investment loss	(85,107)
		Realized and change in unrealized gains	
		(losses) on investments	
		Net realized gains on investments	-
		Change in net unrealized appreciation on	
		investments	-
			<u>-</u>
		Net decrease in net assets resulting from	
		operations	<u>\$ (85,107)</u>

<b>Statement of Changes in Net Assets</b> Years Ended December 31, 2011 and 2010			
	<b>2011</b>	<b>2010</b>	
Net assets at beginning of year	\$ 9,776,381	\$ 10,671,412	
Net decrease in net assets resulting from operations	(85,107)	(59,211)	
Capital shares transactions			
Net premiums	906,923	1,676,925	
Transfers of policy loans	47,944	59,404	
Transfers of cost of insurance	(986,079)	(886,398)	
Transfers of surrenders	(1,702,213)	(1,334,701)	
Transfers of death benefits	-	(42,105)	
Transfers of other terminations	(159,285)	(134,162)	
Interfund and net transfers from (to) general account	1,334,830	(174,783)	
Net decrease in net assets from capital share transactions	<u>(557,880)</u>	<u>(835,820)</u>	
Total decrease in net assets	<u>(642,987)</u>	<u>(895,031)</u>	
Net assets at end of year	<u>\$ 9,133,394</u>	<u>\$ 9,776,381</u>	

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### Fidelity Variable Insurance Products Fund I High Income Portfolio

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 473,625
1,270,521 shares (cost \$6,751,154)	\$ 6,848,110	Capital gains distributions	<u>-</u>
Liabilities	<u>-</u>		<u>473,625</u>
Net assets	<u>\$ 6,848,110</u>	Expenses:	
		Administrative expense	3,572
		Mortality and expense risk	<u>51,526</u>
			<u>55,098</u>
		Net investment income	418,527
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	180,725
		Change in net unrealized depreciation on investments	<u>(386,450)</u>
		Net increase in net assets resulting from operations	<u>\$ 212,802</u>

#### Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010

	2011	2010
Net assets at beginning of year	\$ 6,812,291	\$ 8,222,313
Net increase in net assets resulting from operations	212,802	843,762
Capital shares transactions		
Net premiums	690,832	536,186
Transfers of policy loans	49,932	(38,926)
Transfers of cost of insurance	(513,063)	(530,367)
Transfers of surrenders	(396,103)	(599,828)
Transfers of death benefits	-	(4,008)
Transfers of other terminations	(52,321)	(148,319)
Interfund and net transfers (to) from general account	<u>43,740</u>	<u>(1,468,522)</u>
Net decrease in net assets from capital share transactions	<u>(176,983)</u>	<u>(2,253,784)</u>
Total increase (decrease) in net assets	<u>35,819</u>	<u>(1,410,022)</u>
Net assets at end of year	<u>\$ 6,848,110</u>	<u>\$ 6,812,291</u>

The accompanying notes are an integral part of these financial statements



**Midland National Life Insurance Company**  
**Separate Account A**  
**Fidelity Variable Insurance Products Fund I Equity-Income Portfolio**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 439,693
905,859 shares (cost \$16,501,837)	\$ 16,930,511	Capital gains distributions	<u>-</u>
Liabilities	<u>-</u>		<u>439,693</u>
Net assets	<u>\$ 16,930,511</u>	Expenses:	
		Administrative expense	11,241
		Mortality and expense risk	<u>130,109</u>
			<u>141,350</u>
		Net investment income	298,343
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	417,713
		Change in net unrealized depreciation on investments	<u>(673,276)</u>
		Net increase in net assets resulting from operations	<u>\$ 42,780</u>

**Statement of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
Net assets at beginning of year	\$ 18,882,001	\$ 18,521,629
Net increase in net assets resulting from operations	42,780	2,411,108
Capital shares transactions		
Net premiums	1,488,571	1,588,392
Transfers of policy loans	153,180	6,829
Transfers of cost of insurance	(1,547,323)	(1,573,834)
Transfers of surrenders	(1,202,631)	(1,393,232)
Transfers of death benefits	(10,266)	(35,819)
Transfers of other terminations	(114,729)	(160,563)
Interfund and net transfers to general account	<u>(761,072)</u>	<u>(482,509)</u>
Net decrease in net assets from capital share transactions	<u>(1,994,270)</u>	<u>(2,050,736)</u>
Total (decrease) increase in net assets	<u>(1,951,490)</u>	<u>360,372</u>
Net assets at end of year	<u>\$ 16,930,511</u>	<u>\$ 18,882,001</u>

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### Fidelity Variable Insurance Products Fund I Growth Portfolio

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 115,872
807,044 shares (cost \$28,357,952)	\$ 29,771,838	Capital gains distributions	117,704
			<u>233,576</u>
Liabilities	-	Expenses:	
Net assets	<u>\$ 29,771,838</u>	Administrative expense	18,652
		Mortality and expense risk	229,239
			<u>247,891</u>
		Net investment loss	(14,315)
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	2,383,735
		Change in net unrealized depreciation on investments	(3,138,356)
			<u>(768,936)</u>
		Net decrease in net assets resulting from operations	<u>\$ (768,936)</u>

#### Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010

	2011	2010
Net assets at beginning of year	\$ 37,826,693	\$ 33,957,851
Net (decrease) increase in net assets resulting from operations	(768,936)	6,828,995
Capital shares transactions		
Net premiums	2,716,166	2,697,977
Transfers of policy loans	402,411	(43,831)
Transfers of cost of insurance	(2,566,176)	(2,993,205)
Transfers of surrenders	(2,199,996)	(2,264,217)
Transfers of death benefits	(751)	(95,171)
Transfers of other terminations	(226,381)	(251,029)
Interfund and net transfers to general account	(5,411,192)	(10,677)
Net decrease in net assets from capital share transactions	<u>(7,285,919)</u>	<u>(2,960,153)</u>
Total (decrease) increase in net assets	<u>(8,054,855)</u>	<u>3,868,842</u>
Net assets at end of year	<u>\$ 29,771,838</u>	<u>\$ 37,826,693</u>

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### Fidelity Variable Insurance Products Fund I Overseas Portfolio

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 708,533 shares (cost \$11,596,715)	\$ 9,657,305	Dividend income	\$ 159,880
		Capital gains distributions	<u>22,230</u>
Liabilities	<u>-</u>		<u>182,110</u>
Net assets	<u>\$ 9,657,305</u>	Expenses:	
		Administrative expense	4,539
		Mortality and expense risk	<u>91,557</u>
			<u>96,096</u>
		Net investment income	86,014
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	158,353
		Change in net unrealized depreciation on investments	<u>(2,803,529)</u>
		Net decrease in net assets resulting from operations	<u>\$ (2,559,162)</u>

#### Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010

	2011	2010
Net assets at beginning of year	\$ 12,560,848	\$ 13,269,182
Net (decrease) increase in net assets resulting from operations	(2,559,162)	1,544,417
Capital shares transactions		
Net premiums	1,165,611	1,378,739
Transfers of policy loans	102,677	22,531
Transfers of cost of insurance	(821,235)	(865,354)
Transfers of surrenders	(605,475)	(812,285)
Transfers of death benefits	-	(6,499)
Transfers of other terminations	(139,174)	(174,749)
Interfund and net transfers to general account	<u>(46,785)</u>	<u>(1,795,134)</u>
Net decrease in net assets from capital share transactions	<u>(344,381)</u>	<u>(2,252,751)</u>
Total decrease in net assets	<u>(2,903,543)</u>	<u>(708,334)</u>
Net assets at end of year	<u>\$ 9,657,305</u>	<u>\$ 12,560,848</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**Fidelity Variable Insurance Products Fund I Mid Cap Portfolio**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 53,276
644,353 shares (cost \$18,005,695)	\$ 18,737,788	Capital gains distributions	<u>35,303</u>
Liabilities	-		<u>88,579</u>
Net assets	<u>\$ 18,737,788</u>	Expenses:	
		Administrative expense	893
		Mortality and expense risk	<u>156,410</u>
			<u>157,303</u>
		Net investment loss	(68,724)
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	2,348,145
		Change in net unrealized depreciation on investments	<u>(4,735,802)</u>
		Net decrease in net assets resulting from operations	<u>\$ (2,456,381)</u>

**Statement of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
Net assets at beginning of year	\$ 23,289,689	\$ 19,183,312
Net (decrease) increase in net assets resulting from operations	(2,456,381)	5,711,531
Capital shares transactions		
Net premiums	1,760,892	1,790,406
Transfers of policy loans	75,767	(249,605)
Transfers of cost of insurance	(1,189,855)	(1,171,525)
Transfers of surrenders	(1,366,257)	(1,259,286)
Transfers of death benefits	(1,052)	(107,678)
Transfers of other terminations	(190,203)	(240,329)
Interfund and net transfers to general account	<u>(1,184,812)</u>	<u>(367,137)</u>
Net decrease in net assets from capital share transactions	<u>(2,095,520)</u>	<u>(1,605,154)</u>
Total (decrease) increase in net assets	<u>(4,551,901)</u>	<u>4,106,377</u>
Net assets at end of year	<u>\$ 18,737,788</u>	<u>\$ 23,289,689</u>

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### Fidelity Variable Insurance Products Fund I Freedom Income Portfolio

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 3,877 shares (cost \$37,531)	\$ 39,584	Dividend income	\$ 697
		Capital gains distributions	149
			<u>846</u>
Liabilities	-	Expenses:	
Net assets	<u>\$ 39,584</u>	Administrative expense	-
		Mortality and expense risk	295
			<u>295</u>
		Net investment income	551
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	588
		Change in net unrealized depreciation on investments	(410)
			<u>(410)</u>
		Net increase in net assets resulting from operations	<u>\$ 729</u>

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010			
	2011	2010	
Net assets at beginning of year	\$ 94,023	\$ 41,480	
Net increase in net assets resulting from operations	729	4,987	
Capital shares transactions			
Net premiums	5,737	17,783	
Transfers of policy loans	-	-	
Transfers of cost of insurance	(1,921)	(4,255)	
Transfers of surrenders	(17,381)	(1,910)	
Transfers of death benefits	-	-	
Transfers of other terminations	-	-	
Interfund and net transfers (to) from general account	(41,603)	35,938	
Net (decrease) increase in net assets from capital share transactions	(55,168)	47,556	
Total (decrease) increase in net assets	(54,439)	52,543	
Net assets at end of year	<u>\$ 39,584</u>	<u>\$ 94,023</u>	

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**Fidelity Variable Insurance Products Fund I Freedom 2010 Portfolio**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 63 shares (cost \$679)	\$ 651	Dividend income	\$ 14
		Capital gains distributions	3
			<u>17</u>
Liabilities	-	Expenses:	
Net assets	<u>\$ 651</u>	Administrative expense	-
		Mortality and expense risk	5
			<u>5</u>
		Net investment income	12
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	744
		Change in net unrealized depreciation on investments	<u>(541)</u>
		Net increase in net assets resulting from operations	<u>\$ 215</u>

**Statement of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
Net assets at beginning of year	\$ 8,850	\$ 48,016
Net increase in net assets resulting from operations	215	1,436
Capital shares transactions		
Net premiums	828	(2,617)
Transfers of policy loans	-	-
Transfers of cost of insurance	(238)	(680)
Transfers of surrenders	(8,972)	-
Transfers of death benefits	-	-
Transfers of other terminations	-	-
Interfund and net transfers to general account	<u>(32)</u>	<u>(37,305)</u>
Net decrease in net assets from capital share transactions	<u>(8,414)</u>	<u>(40,602)</u>
Total decrease in net assets	<u>(8,199)</u>	<u>(39,166)</u>
Net assets at end of year	<u>\$ 651</u>	<u>\$ 8,850</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**Fidelity Variable Insurance Products Fund I Freedom 2015 Portfolio**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 498
2,254 shares (cost \$22,326)	\$ 23,395	Capital gains distributions	<u>121</u>
			619
Liabilities	<u>-</u>	Expenses:	
Net assets	<u>\$ 23,395</u>	Administrative expense	-
		Mortality and expense risk	<u>217</u>
			<u>217</u>
		Net investment income	402
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	320
		Change in net unrealized depreciation on investments	<u>(747)</u>
		Net decrease in net assets resulting from operations	<u>\$ (25)</u>

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010			
	2011		2010
Net assets at beginning of year	\$ 23,379	\$	192
Net (decrease) increase in net assets resulting from operations	(25)		2,448
Capital shares transactions			
Net premiums	1,162		210
Transfers of policy loans	(98)		-
Transfers of cost of insurance	(907)		(328)
Transfers of surrenders	-		-
Transfers of death benefits	-		-
Transfers of other terminations	-		-
Interfund and net transfers (to) from general account	<u>(116)</u>		<u>20,857</u>
Net increase in net assets from capital share transactions	<u>41</u>		<u>20,739</u>
Total increase in net assets	<u>16</u>		<u>23,187</u>
Net assets at end of year	<u>\$ 23,395</u>	\$	<u>23,379</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**Fidelity Variable Insurance Products Fund I Freedom 2020 Portfolio**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 14,326 shares (cost \$146,102)	\$ 146,264	Dividend income	\$ 3,221
		Capital gains distributions	<u>558</u>
Liabilities	<u>-</u>		<u>3,779</u>
Net assets	<u>\$ 146,264</u>	Expenses:	
		Administrative expense	2
		Mortality and expense risk	<u>356</u>
			<u>358</u>
		Net investment income	3,421
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	2,287
		Change in net unrealized depreciation on investments	<u>(6,249)</u>
		Net decrease in net assets resulting from operations	<u>\$ (541)</u>

**Statement of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
Net assets at beginning of year	\$ 60,917	\$ 25,141
Net (decrease) increase in net assets resulting from operations	(541)	7,258
Capital shares transactions		
Net premiums	15,633	15,708
Transfers of policy loans	-	-
Transfers of cost of insurance	(7,783)	(6,515)
Transfers of surrenders	(6,268)	(3,672)
Transfers of death benefits	-	-
Transfers of other terminations	-	-
Interfund and net transfers from general account	<u>84,306</u>	<u>22,997</u>
Net increase in net assets from capital share transactions	<u>85,888</u>	<u>28,518</u>
Total increase in net assets	<u>85,347</u>	<u>35,776</u>
Net assets at end of year	<u>\$ 146,264</u>	<u>\$ 60,917</u>

The accompanying notes are an integral part of these financial statements



**Midland National Life Insurance Company**  
**Separate Account A**  
**Fidelity Variable Insurance Products Fund I Freedom 2025 Portfolio**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 2,726 shares (cost \$26,984)	\$ 27,311	Dividend income	\$ 574
		Capital gains distributions	88
Liabilities	-		662
Net assets	<u>\$ 27,311</u>	Expenses:	
		Administrative expense	-
		Mortality and expense risk	170
			170
		Net investment income	492
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	1,429
		Change in net unrealized depreciation on investments	(2,265)
		Net decrease in net assets resulting from operations	<u>\$ (344)</u>

**Statement of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
Net assets at beginning of year	\$ 22,273	\$ 5,088
Net (decrease) increase in net assets resulting from operations	(344)	3,094
Capital shares transactions		
Net premiums	6,915	3,794
Transfers of policy loans	(20)	484
Transfers of cost of insurance	(1,617)	(1,581)
Transfers of surrenders	(946)	(1,457)
Transfers of death benefits	-	-
Transfers of other terminations	-	-
Interfund and net transfers from general account	1,050	12,851
Net increase in net assets from capital share transactions	<u>5,382</u>	<u>14,091</u>
Total increase in net assets	5,038	17,185
Net assets at end of year	<u>\$ 27,311</u>	<u>\$ 22,273</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**Fidelity Variable Insurance Products Fund I Freedom 2030 Portfolio**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 2,922
13,944 shares (cost \$134,062)	\$ 135,254	Capital gains distributions	408
			<u>3,330</u>
Liabilities	-	Expenses:	
		Administrative expense	-
Net assets	<u>\$ 135,254</u>	Mortality and expense risk	648
			<u>648</u>
		Net investment income	2,682
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	7,863
		Change in net unrealized depreciation on investments	<u>(14,694)</u>
		Net decrease in net assets resulting from operations	<u>\$ (4,149)</u>

**Statement of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
Net assets at beginning of year	\$ 122,196	\$ 88,558
Net (decrease) increase in net assets resulting from operations	(4,149)	15,545
Capital shares transactions		
Net premiums	32,145	31,410
Transfers of policy loans	-	-
Transfers of cost of insurance	(14,940)	(13,328)
Transfers of surrenders	(2,405)	-
Transfers of death benefits	-	-
Transfers of other terminations	-	-
Interfund and net transfers from general account	<u>2,407</u>	<u>11</u>
Net increase in net assets from capital share transactions	<u>17,207</u>	<u>18,093</u>
Total increase in net assets	<u>13,058</u>	<u>33,638</u>
Net assets at end of year	<u>\$ 135,254</u>	<u>\$ 122,196</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**Fidelity Variable Insurance Products Fund II Asset Manager Portfolio**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 108,666
380,024 shares (cost \$5,194,924)	\$ 5,244,325	Capital gains distributions	<u>26,552</u>
Liabilities	<u>-</u>		<u>135,218</u>
Net assets	<u>\$ 5,244,325</u>	Expenses:	
		Administrative expense	6,419
		Mortality and expense risk	<u>45,939</u>
			<u>52,358</u>
		Net investment income	82,860
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	144,254
		Change in net unrealized depreciation on investments	<u>(418,475)</u>
		Net decrease in net assets resulting from operations	<u>\$ (191,361)</u>

**Statement of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
Net assets at beginning of year	\$ 6,070,088	\$ 6,012,210
Net (decrease) increase in net assets resulting from operations	(191,361)	728,225
Capital shares transactions		
Net premiums	547,707	264,049
Transfers of policy loans	73,218	2,696
Transfers of cost of insurance	(458,669)	(482,240)
Transfers of surrenders	(425,959)	(360,876)
Transfers of death benefits	-	(9,893)
Transfers of other terminations	(15,117)	(34,038)
Interfund and net transfers to general account	<u>(355,582)</u>	<u>(50,045)</u>
Net decrease in net assets from capital share transactions	<u>(634,402)</u>	<u>(670,347)</u>
Total (decrease) increase in net assets	<u>(825,763)</u>	<u>57,878</u>
Net assets at end of year	<u>\$ 5,244,325</u>	<u>\$ 6,070,088</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**Fidelity Variable Insurance Products Fund II Investment Grade Bond Portfolio**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 404,403
960,322 shares (cost \$12,205,455)	\$ 12,455,377	Capital gains distributions	<u>325,630</u>
			730,033
Liabilities	-	Expenses:	
Net assets	<u>\$ 12,455,377</u>	Administrative expense	1,836
		Mortality and expense risk	<u>83,830</u>
			85,666
		Net investment income	644,367
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	171,625
		Change in net unrealized depreciation on investments	<u>(24,888)</u>
		Net increase in net assets resulting from operations	<u>\$ 791,104</u>

**Statement of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
Net assets at beginning of year	\$ 12,144,534	\$ 12,176,825
Net increase in net assets resulting from operations	791,104	832,701
Capital shares transactions		
Net premiums	851,158	969,304
Transfers of policy loans	512,780	212,168
Transfers of cost of insurance	(757,952)	(759,234)
Transfers of surrenders	(459,116)	(1,209,568)
Transfers of death benefits	(570)	(21,793)
Transfers of other terminations	(61,433)	(112,338)
Interfund and net transfers (to) from general account	<u>(565,128)</u>	<u>56,469</u>
Net decrease in net assets from capital share transactions	(480,261)	(864,992)
Total increase (decrease) in net assets	<u>310,843</u>	<u>(32,291)</u>
Net assets at end of year	<u>\$ 12,455,377</u>	<u>\$ 12,144,534</u>

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### Fidelity Variable Insurance Products Fund II Index 500 Portfolio

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 358,440 shares (cost \$43,694,515)	\$ 46,356,991	Dividend income	\$ 930,360
		Capital gains distributions	1,140,256
Liabilities	-		<u>2,070,616</u>
Net assets	<u>\$ 46,356,991</u>	Expenses:	
		Administrative expense	6,678
		Mortality and expense risk	319,568
			<u>326,246</u>
		Net investment income	1,744,370
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	752,075
		Change in net unrealized depreciation on investments	<u>(1,794,777)</u>
		Net increase in net assets resulting from operations	<u>\$ 701,668</u>

#### Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010

	2011	2010
Net assets at beginning of year	\$ 49,052,799	\$ 46,832,407
Net increase in net assets resulting from operations	701,668	6,152,019
Capital shares transactions		
Net premiums	4,931,950	5,401,751
Transfers of policy loans	295,009	(17,340)
Transfers of cost of insurance	(3,751,386)	(3,777,902)
Transfers of surrenders	(2,839,221)	(3,616,515)
Transfers of death benefits	(1,966)	(58,662)
Transfers of other terminations	(424,854)	(405,486)
Interfund and net transfers to general account	<u>(1,607,008)</u>	<u>(1,457,473)</u>
Net decrease in net assets from capital share transactions	<u>(3,397,476)</u>	<u>(3,931,627)</u>
Total (decrease) increase in net assets	<u>(2,695,808)</u>	<u>2,220,392</u>
Net assets at end of year	<u>\$ 46,356,991</u>	<u>\$ 49,052,799</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**Fidelity Variable Insurance Products Fund II Contrafund Portfolio**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 392,613
1,592,806 shares (cost \$34,086,782)	\$ 36,666,399	Capital gains distributions	<u>-</u>
Liabilities	<u>-</u>		<u>392,613</u>
Net assets	<u>\$ 36,666,399</u>	Expenses:	
		Administrative expense	8,954
		Mortality and expense risk	<u>263,067</u>
			<u>272,021</u>
		Net investment income	120,592
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	1,109,630
		Change in net unrealized depreciation on investments	<u>(2,409,409)</u>
		Net decrease in net assets resulting from operations	<u>\$ (1,179,187)</u>

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010		
	2011	2010
Net assets at beginning of year	\$ 41,857,031	\$ 39,962,919
Net (decrease) increase in net assets resulting from operations	(1,179,187)	5,979,473
Capital shares transactions		
Net premiums	3,041,699	3,443,177
Transfers of policy loans	273,623	(189,564)
Transfers of cost of insurance	(2,573,717)	(2,588,064)
Transfers of surrenders	(2,416,305)	(2,884,232)
Transfers of death benefits	(6,898)	(19,398)
Transfers of other terminations	(385,049)	(336,058)
Interfund and net transfers to general account	<u>(1,944,798)</u>	<u>(1,511,222)</u>
Net decrease in net assets from capital share transactions	<u>(4,011,445)</u>	<u>(4,085,361)</u>
Total (decrease) increase in net assets	<u>(5,190,632)</u>	<u>1,894,112</u>
Net assets at end of year	<u>\$ 36,666,399</u>	<u>\$ 41,857,031</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**Fidelity Variable Insurance Products Fund II Asset Manager: Growth Portfolio**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 56,110
237,644 shares (cost \$3,031,271)	\$ 3,172,814	Capital gains distributions	<u>6,752</u>
			<u>62,862</u>
Liabilities	-	Expenses:	
Net assets	<u>\$ 3,172,814</u>	Administrative expense	1,677
		Mortality and expense risk	<u>22,359</u>
			<u>24,036</u>
		Net investment income	38,826
		Realized and change in unrealized gains	
		(losses) on investments	
		Net realized gains on investments	137,448
		Change in net unrealized depreciation on	
		investments	<u>(409,408)</u>
		Net decrease in net assets resulting from	
		operations	<u>\$ (233,134)</u>

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010		
	2011	2010
Net assets at beginning of year	\$ 3,689,322	\$ 3,544,365
Net (decrease) increase in net assets resulting from operations	(233,134)	507,422
Capital shares transactions		
Net premiums	500,412	182,715
Transfers of policy loans	44,670	15,678
Transfers of cost of insurance	(333,994)	(327,797)
Transfers of surrenders	(195,082)	(270,985)
Transfers of death benefits	(936)	(3,487)
Transfers of other terminations	(17,654)	(25,556)
Interfund and net transfers (to) from general account	<u>(280,790)</u>	<u>66,967</u>
Net decrease in net assets from capital share transactions	<u>(283,374)</u>	<u>(362,465)</u>
Total (decrease) increase in net assets	<u>(516,508)</u>	<u>144,957</u>
Net assets at end of year	<u>\$ 3,172,814</u>	<u>\$ 3,689,322</u>

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### Fidelity Variable Insurance Products Fund III Balanced Portfolio

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Statement of Assets and Liabilities December 31, 2011	Statement of Operations Year Ended December 31, 2011
Assets:	Investment income:
Investment in Portfolio,	Dividend income
251,480 shares (cost \$3,471,197)   \$ 3,679,148	\$ 64,933
Liabilities	Capital gains distributions
Net assets	<u>10,417</u>
\$ 3,679,148	75,350
	Expenses:
	Administrative expense
	132
	Mortality and expense risk
	<u>29,224</u>
	29,356
	Net investment income
	45,994
	Realized and change in unrealized gains
	(losses) on investments
	Net realized gains on investments
	241,016
	Change in net unrealized depreciation on
	investments
	<u>(457,154)</u>
	Net decrease in net assets resulting from
	operations
	<u>\$ (170,144)</u>

#### Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010

	2011	2010
Net assets at beginning of year	\$ 4,408,027	\$ 4,224,742
Net (decrease) increase in net assets resulting from operations	(170,144)	667,460
Capital shares transactions		
Net premiums	535,188	244,113
Transfers of policy loans	32,340	(12,433)
Transfers of cost of insurance	(345,873)	(355,530)
Transfers of surrenders	(380,632)	(377,880)
Transfers of death benefits	(1,475)	(3,318)
Transfers of other terminations	(28,324)	(42,787)
Interfund and net transfers (to) from general account	<u>(369,959)</u>	<u>63,660</u>
Net decrease in net assets from capital share transactions	(558,735)	(484,175)
Total (decrease) increase in net assets	<u>(728,879)</u>	<u>183,285</u>
Net assets at end of year	<u>\$ 3,679,148</u>	<u>\$ 4,408,027</u>

The accompanying notes are an integral part of these financial statements



**Midland National Life Insurance Company**  
**Separate Account A**  
**Fidelity Variable Insurance Products Fund III Growth & Income Portfolio**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 125,659
544,933 shares (cost \$6,115,654)	\$ 6,860,702	Capital gains distributions	<u>-</u>
			125,659
Liabilities	<u>-</u>	Expenses:	
Net assets	<u>\$ 6,860,702</u>	Administrative expense	371
		Mortality and expense risk	<u>45,495</u>
			45,866
		Net investment income	79,793
		Realized and change in unrealized gains	
		(losses) on investments	
		Net realized gains on investments	187,118
		Change in net unrealized depreciation on	
		investments	<u>(206,291)</u>
		Net increase in net assets resulting from	
		operations	<u>\$ 60,620</u>

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010		
	2011	2010
Net assets at beginning of year	\$ 7,268,300	\$ 7,092,988
Net increase in net assets resulting from operations	60,620	891,036
Capital shares transactions		
Net premiums	766,165	838,901
Transfers of policy loans	54,480	3,104
Transfers of cost of insurance	(644,851)	(633,618)
Transfers of surrenders	(369,687)	(446,045)
Transfers of death benefits	-	(33,985)
Transfers of other terminations	(69,562)	(68,170)
Interfund and net transfers to general account	<u>(204,763)</u>	<u>(375,911)</u>
Net decrease in net assets from capital share transactions	<u>(468,218)</u>	<u>(715,724)</u>
Total (decrease) increase in net assets	<u>(407,598)</u>	<u>175,312</u>
Net assets at end of year	<u>\$ 6,860,702</u>	<u>\$ 7,268,300</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**Fidelity Variable Insurance Products Fund III Growth Opportunities Portfolio**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 344,830 shares (cost \$4,790,092)	\$ 6,310,384	Dividend income	\$ 10,847
		Capital gains distributions	-
Liabilities	-		<u>10,847</u>
Net assets	<u>\$ 6,310,384</u>	Expenses:	
		Administrative expense	499
		Mortality and expense risk	36,877
			<u>37,376</u>
		Net investment loss	(26,529)
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	426,172
		Change in net unrealized depreciation on investments	<u>(264,706)</u>
		Net increase in net assets resulting from operations	<u>\$ 134,937</u>

**Statement of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
Net assets at beginning of year	\$ 6,883,229	\$ 6,139,897
Net increase in net assets resulting from operations	134,937	1,311,505
Capital shares transactions		
Net premiums	635,853	749,730
Transfers of policy loans	78,460	10,942
Transfers of cost of insurance	(587,309)	(605,407)
Transfers of surrenders	(483,263)	(510,466)
Transfers of death benefits	(14,319)	(12,006)
Transfers of other terminations	(88,774)	(69,905)
Interfund and net transfers to general account	<u>(248,430)</u>	<u>(131,061)</u>
Net decrease in net assets from capital share transactions	<u>(707,782)</u>	<u>(568,173)</u>
Total (decrease) increase in net assets	<u>(572,845)</u>	<u>743,332</u>
Net assets at end of year	<u>\$ 6,310,384</u>	<u>\$ 6,883,229</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**American Century Variable Portfolios, Inc. Balanced Fund**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 390,349 shares (cost \$2,401,160)	\$ 2,541,169	Dividend income	\$ 49,352
		Capital gains distributions	-
Liabilities	-		<u>49,352</u>
Net assets	<u>\$ 2,541,169</u>	Expenses:	
		Administrative expense	71
		Mortality and expense risk	19,364
			<u>19,435</u>
		Net investment income	29,917
		Realized and change in unrealized gains on investments	
		Net realized gains on investments	33,787
		Change in net unrealized appreciation on investments	52,228
			<u>52,228</u>
		Net increase in net assets resulting from operations	<u>\$ 115,932</u>

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010		
	2011	2010
Net assets at beginning of year	\$ 2,625,017	\$ 2,560,358
Net increase in net assets resulting from operations	115,932	258,290
Capital shares transactions		
Net premiums	260,799	266,806
Transfers of policy loans	18,964	(26,397)
Transfers of cost of insurance	(208,358)	(209,027)
Transfers of surrenders	(164,798)	(168,686)
Transfers of death benefits	-	(5,437)
Transfers of other terminations	(17,166)	(22,143)
Interfund and net transfers to general account	(89,221)	(28,747)
Net decrease in net assets from capital share transactions	<u>(199,780)</u>	<u>(193,631)</u>
Total (decrease) increase in net assets	<u>(83,848)</u>	<u>64,659</u>
Net assets at end of year	<u>\$ 2,541,169</u>	<u>\$ 2,625,017</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**American Century Variable Portfolios, Inc. Capital Appreciation Fund**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ -
432,162 shares (cost \$6,379,362)	\$ 5,713,175	Capital gains distributions	-
Liabilities	-		-
Net assets	<u>\$ 5,713,175</u>	Expenses:	
		Administrative expense	942
		Mortality and expense risk	50,715
			<u>51,657</u>
		Net investment loss	(51,657)
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	397,174
		Change in net unrealized depreciation on investments	<u>(1,635,959)</u>
		Net decrease in net assets resulting from operations	<u>\$ (1,290,442)</u>

**Statement of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
Net assets at beginning of year	\$ 10,155,713	\$ 5,417,524
Net (decrease) increase in net assets resulting from operations	(1,290,442)	2,675,834
Capital shares transactions		
Net premiums	670,358	588,676
Transfers of policy loans	56,532	(20,164)
Transfers of cost of insurance	(454,850)	(483,098)
Transfers of surrenders	(655,652)	(504,912)
Transfers of death benefits	(13,896)	(19,483)
Transfers of other terminations	(64,794)	(174,879)
Interfund and net transfers (to) from general account	<u>(2,689,794)</u>	<u>2,676,215</u>
Net (decrease) increase in net assets from capital share transactions	<u>(3,152,096)</u>	<u>2,062,355</u>
Total (decrease) increase in net assets	<u>(4,442,538)</u>	<u>4,738,189</u>
Net assets at end of year	<u>\$ 5,713,175</u>	<u>\$ 10,155,713</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**American Century Variable Portfolios, Inc. International Fund**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 203,050
1,642,058 shares (cost \$12,754,736)	\$ 12,200,488	Capital gains distributions	<u>-</u>
Liabilities	<u>-</u>		<u>203,050</u>
Net assets	<u>\$ 12,200,488</u>	Expenses:	
		Administrative expense	764
		Mortality and expense risk	<u>104,311</u>
			<u>105,075</u>
		Net investment income	97,975
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	314,919
		Change in net unrealized depreciation on investments	<u>(2,161,246)</u>
		Net decrease in net assets resulting from operations	<u>\$ (1,748,352)</u>

**Statement of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
Net assets at beginning of year	\$ 15,560,307	\$ 16,433,805
Net (decrease) increase in net assets resulting from operations	(1,748,352)	1,661,059
Capital shares transactions		
Net premiums	1,398,195	1,844,235
Transfers of policy loans	162,786	(26,610)
Transfers of cost of insurance	(995,538)	(1,126,881)
Transfers of surrenders	(932,154)	(1,126,435)
Transfers of death benefits	(1,098)	(27,338)
Transfers of other terminations	(207,803)	(179,027)
Interfund and net transfers to general account	<u>(1,035,855)</u>	<u>(1,892,501)</u>
Net decrease in net assets from capital share transactions	<u>(1,611,467)</u>	<u>(2,534,557)</u>
Total decrease in net assets	<u>(3,359,819)</u>	<u>(873,498)</u>
Net assets at end of year	<u>\$ 12,200,488</u>	<u>\$ 15,560,307</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**American Century Variable Portfolios, Inc. Value Fund**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 433,409
4,110,912 shares (cost \$22,947,006)	\$ 23,843,287	Capital gains distributions	-
Liabilities	-		<u>433,409</u>
Net assets	<u>\$ 23,843,287</u>	Expenses:	
		Administrative expense	947
		Mortality and expense risk	157,861
			<u>158,808</u>
		Net investment income	274,601
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	1,595,305
		Change in net unrealized depreciation on investments	<u>(1,804,829)</u>
		Net increase in net assets resulting from operations	<u>\$ 65,077</u>

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010			
	2011	2010	
Net assets at beginning of year	\$ 25,846,393	\$ 18,477,916	
Net increase in net assets resulting from operations	65,077	2,411,678	
Capital shares transactions			
Net premiums	2,344,520	2,477,744	
Transfers of policy loans	160,495	3,891	
Transfers of cost of insurance	(1,408,844)	(1,339,059)	
Transfers of surrenders	(1,220,691)	(1,098,264)	
Transfers of death benefits	(1,829)	(19,085)	
Transfers of other terminations	(259,012)	(212,994)	
Interfund and net transfers (to) from general account	<u>(1,682,822)</u>	<u>5,144,566</u>	
Net (decrease) increase in net assets from capital share transactions	<u>(2,068,183)</u>	<u>4,956,799</u>	
Total (decrease) increase in net assets	<u>(2,003,106)</u>	<u>7,368,477</u>	
Net assets at end of year	<u>\$ 23,843,287</u>	<u>\$ 25,846,393</u>	

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**American Century Variable Portfolios, Inc. Income & Growth Fund**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 300,236 shares (cost \$1,691,716)	\$ 1,843,450	Dividend income	\$ 29,800
		Capital gains distributions	-
Liabilities	-		29,800
Net assets	<u>\$ 1,843,450</u>	Expenses:	
		Administrative expense	51
		Mortality and expense risk	12,065
			12,116
		Net investment income	17,684
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	48,133
		Change in net unrealized depreciation on investments	(16,193)
		Net increase in net assets resulting from operations	<u>\$ 49,624</u>

**Statement of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
Net assets at beginning of year	\$ 1,982,303	\$ 1,884,723
Net increase in net assets resulting from operations	49,624	232,853
Capital shares transactions		
Net premiums	185,408	197,185
Transfers of policy loans	21,993	(311)
Transfers of cost of insurance	(141,442)	(139,534)
Transfers of surrenders	(175,159)	(109,760)
Transfers of death benefits	-	(26,347)
Transfers of other terminations	(11,092)	(30,594)
Interfund and net transfers to general account	(68,185)	(25,912)
Net decrease in net assets from capital share transactions	(188,477)	(135,273)
Total (decrease) increase in net assets	(138,853)	97,580
Net assets at end of year	<u>\$ 1,843,450</u>	<u>\$ 1,982,303</u>

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### MFS Variable Insurance Trust Growth Series

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 24,658
500,190 shares (cost \$10,933,281)	\$ 12,284,658	Capital gains distributions	<u>-</u>
Liabilities	<u>-</u>		<u>24,658</u>
Net assets	<u>\$ 12,284,658</u>	Expenses:	
		Administrative expense	588
		Mortality and expense risk	<u>71,111</u>
			<u>71,699</u>
		Net investment loss	(47,041)
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	593,455
		Change in net unrealized depreciation on investments	<u>(677,320)</u>
		Net decrease in net assets resulting from operations	<u>\$ (130,906)</u>

#### Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010

	2011	2010
Net assets at beginning of year	\$ 12,579,470	\$ 13,641,268
Net (decrease) increase in net assets resulting from operations	(130,906)	1,608,121
Capital shares transactions		
Net premiums	1,367,139	1,073,667
Transfers of policy loans	108,990	(27,310)
Transfers of cost of insurance	(873,554)	(812,470)
Transfers of surrenders	(740,697)	(743,411)
Transfers of death benefits	(2,677)	(45,745)
Transfers of other terminations	(86,952)	(169,497)
Interfund and net transfers from (to) general account	<u>63,845</u>	<u>(1,945,153)</u>
Net decrease in net assets from capital share transactions	<u>(163,906)</u>	<u>(2,669,919)</u>
Total decrease in net assets	<u>(294,812)</u>	<u>(1,061,798)</u>
Net assets at end of year	<u>\$ 12,284,658</u>	<u>\$ 12,579,470</u>

The accompanying notes are an integral part of these financial statements



**Midland National Life Insurance Company**  
**Separate Account A**  
**MFS Variable Insurance Trust Investors Trust Series**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 12,021
61,533 shares (cost \$1,145,691)	\$ 1,194,365	Capital gains distributions	<u>-</u>
			12,021
Liabilities	<u>-</u>	Expenses:	
Net assets	<u>\$ 1,194,365</u>	Administrative expense	19
		Mortality and expense risk	<u>8,270</u>
			8,289
		Net investment income	3,732
		Realized and change in unrealized gains	
		(losses) on investments	
		Net realized gains on investments	53,086
		Change in net unrealized depreciation on	
		investments	<u>(91,957)</u>
		Net decrease in net assets resulting from	
		operations	<u>\$ (35,139)</u>

**Statement of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
Net assets at beginning of year	\$ 1,421,881	\$ 1,461,656
Net (decrease) increase in net assets resulting from operations	(35,139)	128,708
Capital shares transactions		
Net premiums	218,894	48,276
Transfers of policy loans	14,773	(9,157)
Transfers of cost of insurance	(108,192)	(125,135)
Transfers of surrenders	(171,767)	(126,691)
Transfers of death benefits	-	(1,799)
Transfers of other terminations	(7,595)	(9,043)
Interfund and net transfers (to) from general account	<u>(138,490)</u>	<u>55,066</u>
Net decrease in net assets from capital share transactions	<u>(192,377)</u>	<u>(168,483)</u>
Total decrease in net assets	<u>(227,516)</u>	<u>(39,775)</u>
Net assets at end of year	<u>\$ 1,194,365</u>	<u>\$ 1,421,881</u>

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### MFS Variable Insurance Trust New Discovery Series

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ -
427,457 shares (cost \$7,588,398)	\$ 6,108,354	Capital gains distributions	<u>876,286</u>
			<u>876,286</u>
Liabilities	-	Expenses:	
Net assets	<u>\$ 6,108,354</u>	Administrative expense	407
		Mortality and expense risk	<u>61,098</u>
			<u>61,505</u>
		Net investment income	814,781
		Realized and change in unrealized gains	
		(losses) on investments	
		Net realized gains on investments	1,699,085
		Change in net unrealized depreciation on	
		investments	<u>(3,170,341)</u>
		Net decrease in net assets resulting from	
		operations	<u>\$ (656,475)</u>

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010		
	2011	2010
Net assets at beginning of year	\$ 10,670,420	\$ 5,873,746
Net (decrease) increase in net assets resulting from operations	(656,475)	2,199,591
Capital shares transactions		
Net premiums	715,171	794,665
Transfers of policy loans	51,975	(11,882)
Transfers of cost of insurance	(458,598)	(464,425)
Transfers of surrenders	(556,349)	(456,330)
Transfers of death benefits	(13,991)	(11,540)
Transfers of other terminations	(80,669)	(111,872)
Interfund and net transfers (to) from general account	<u>(3,563,130)</u>	<u>2,858,467</u>
Net (decrease) increase in net assets from capital share transactions	<u>(3,905,591)</u>	<u>2,597,083</u>
Total (decrease) increase in net assets	<u>(4,562,066)</u>	<u>4,796,674</u>
Net assets at end of year	<u>\$ 6,108,354</u>	<u>\$ 10,670,420</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**MFS Variable Insurance Trust Research Series**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 30,429
176,680 shares (cost \$3,013,106)	\$ 3,318,049	Capital gains distributions	<u>-</u>
Liabilities	<u>-</u>		<u>30,429</u>
Net assets	<u>\$ 3,318,049</u>	Expenses:	
		Administrative expense	69
		Mortality and expense risk	<u>22,256</u>
			<u>22,325</u>
		Net investment income	8,104
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	223,324
		Change in net unrealized depreciation on investments	<u>(269,639)</u>
		Net decrease in net assets resulting from operations	<u>\$ (38,211)</u>

**Statement of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
Net assets at beginning of year	\$ 3,623,945	\$ 3,637,241
Net (decrease) increase in net assets resulting from operations	(38,211)	475,977
Capital shares transactions		
Net premiums	325,129	337,731
Transfers of policy loans	39,101	(27,090)
Transfers of cost of insurance	(259,589)	(262,853)
Transfers of surrenders	(243,481)	(336,631)
Transfers of death benefits	(2,515)	(6,963)
Transfers of other terminations	(21,601)	(51,270)
Interfund and net transfers to general account	<u>(104,729)</u>	<u>(142,197)</u>
Net decrease in net assets from capital share transactions	<u>(267,685)</u>	<u>(489,273)</u>
Total decrease in net assets	<u>(305,896)</u>	<u>(13,296)</u>
Net assets at end of year	<u>\$ 3,318,049</u>	<u>\$ 3,623,945</u>

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### MFS Variable Insurance Trust Total Return Series

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 5,323
11,256 shares (cost \$205,209)	\$ 208,576	Capital gains distributions	<u>-</u>
Liabilities	<u>-</u>		<u>5,323</u>
Net assets	<u>\$ 208,576</u>	Expenses:	
		Administrative expense	19
		Mortality and expense risk	<u>1,312</u>
			<u>1,331</u>
		Net investment income	3,992
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	18,796
		Change in net unrealized depreciation on investments	<u>(20,922)</u>
		Net increase in net assets resulting from operations	<u>\$ 1,866</u>

#### Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010

	2011	2010
Net assets at beginning of year	\$ 185,995	\$ 107,239
Net increase in net assets resulting from operations	1,866	14,274
Capital shares transactions		
Net premiums	39,560	32,076
Transfers of policy loans	46	-
Transfers of cost of insurance	(12,637)	(10,124)
Transfers of surrenders	(10,273)	(12,431)
Transfers of death benefits	-	-
Transfers of other terminations	-	-
Interfund and net transfers from general account	<u>4,019</u>	<u>54,961</u>
Net increase in net assets from capital share transactions	<u>20,715</u>	<u>64,482</u>
Total increase in net assets	<u>22,581</u>	<u>78,756</u>
Net assets at end of year	<u>\$ 208,576</u>	<u>\$ 185,995</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**MFS Variable Insurance Trust Utilities Series**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 92,227
116,293 shares (cost \$2,794,749)	\$ 3,032,912	Capital gains distributions	<u>-</u>
Liabilities	<u>-</u>		<u>92,227</u>
Net assets	<u>\$ 3,032,912</u>	Expenses:	
		Administrative expense	114
		Mortality and expense risk	<u>20,792</u>
			<u>20,906</u>
		Net investment income	71,321
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	339,363
		Change in net unrealized depreciation on investments	<u>(257,850)</u>
		Net increase in net assets resulting from operations	<u>\$ 152,834</u>

**Statement of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
Net assets at beginning of year	\$ 2,822,225	\$ 2,504,063
Net increase in net assets resulting from operations	152,834	335,101
Capital shares transactions		
Net premiums	457,942	274,351
Transfers of policy loans	377,978	173,716
Transfers of cost of insurance	(175,753)	(168,925)
Transfers of surrenders	(101,687)	(127,400)
Transfers of death benefits	-	(5,351)
Transfers of other terminations	(42,360)	(40,604)
Interfund and net transfers to general account	<u>(458,267)</u>	<u>(122,726)</u>
Net increase (decrease) in net assets from capital share transactions	<u>57,853</u>	<u>(16,939)</u>
Total increase in net assets	<u>210,687</u>	<u>318,162</u>
Net assets at end of year	<u>\$ 3,032,912</u>	<u>\$ 2,822,225</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**Lord Abbett Series Fund, Inc. Growth and Income Portfolio**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 68,134
393,359 shares (cost \$8,890,214)	\$ 8,712,909	Capital gains distributions	<u>-</u>
Liabilities	<u>-</u>		<u>68,134</u>
Net assets	<u>\$ 8,712,909</u>	Expenses:	
		Administrative expense	302
		Mortality and expense risk	<u>69,359</u>
			<u>69,661</u>
		Net investment loss	(1,527)
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	56,399
		Change in net unrealized depreciation on investments	<u>(706,329)</u>
		Net decrease in net assets resulting from operations	<u>\$ (651,457)</u>

**Statement of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
Net assets at beginning of year	\$ 10,117,340	\$ 9,374,073
Net (decrease) increase in net assets resulting from operations	(651,457)	1,458,006
Capital shares transactions		
Net premiums	960,465	1,091,571
Transfers of policy loans	70,519	(4,109)
Transfers of cost of insurance	(704,888)	(721,867)
Transfers of surrenders	(542,644)	(606,442)
Transfers of death benefits	(1,360)	(8,613)
Transfers of other terminations	(92,638)	(89,214)
Interfund and net transfers to general account	<u>(442,428)</u>	<u>(376,065)</u>
Net decrease in net assets from capital share transactions	<u>(752,974)</u>	<u>(714,739)</u>
Total (decrease) increase in net assets	<u>(1,404,431)</u>	<u>743,267</u>
Net assets at end of year	<u>\$ 8,712,909</u>	<u>\$ 10,117,340</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**Lord Abbett Series Fund, Inc. Mid-Cap Value Portfolio**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 708,028 shares (cost \$10,114,333)	\$ 11,229,318	Dividend income	\$ 24,959
		Capital gains distributions	<u>-</u>
Liabilities	<u>-</u>		<u>24,959</u>
Net assets	<u>\$ 11,229,318</u>	Expenses:	
		Administrative expense	551
		Mortality and expense risk	<u>96,037</u>
			<u>96,588</u>
		Net investment loss	(71,629)
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	604,211
		Change in net unrealized depreciation on investments	<u>(1,062,822)</u>
		Net decrease in net assets resulting from operations	<u>\$ (530,240)</u>

**Statement of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
Net assets at beginning of year	\$ 12,942,412	\$ 12,081,813
Net (decrease) increase in net assets resulting from operations	(530,240)	2,635,912
Capital shares transactions		
Net premiums	1,136,979	1,361,698
Transfers of policy loans	86,629	(29,057)
Transfers of cost of insurance	(811,492)	(851,565)
Transfers of surrenders	(739,645)	(818,517)
Transfers of death benefits	(14,213)	(24,135)
Transfers of other terminations	(126,695)	(157,997)
Interfund and net transfers to general account	<u>(714,417)</u>	<u>(1,255,740)</u>
Net decrease in net assets from capital share transactions	<u>(1,182,854)</u>	<u>(1,775,313)</u>
Total (decrease) increase in net assets	<u>(1,713,094)</u>	<u>860,599</u>
Net assets at end of year	<u>\$ 11,229,318</u>	<u>\$ 12,942,412</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**Lord Abbett Series Fund, Inc. International Opportunities Portfolio**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 621,201 shares (cost \$5,044,037)	\$ 4,534,768	Dividend income	\$ 50,374
		Capital gains distributions	<u>-</u>
Liabilities	<u>-</u>		<u>50,374</u>
Net assets	<u>\$ 4,534,768</u>	Expenses:	
		Administrative expense	306
		Mortality and expense risk	<u>42,037</u>
			<u>42,343</u>
		Net investment income	8,031
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	77,669
		Change in net unrealized depreciation on investments	<u>(993,655)</u>
		Net decrease in net assets resulting from operations	<u>\$ (907,955)</u>

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010		
	2011	2010
Net assets at beginning of year	\$ 5,778,833	\$ 5,208,258
Net (decrease) increase in net assets resulting from operations	(907,955)	1,008,512
Capital shares transactions		
Net premiums	413,778	502,144
Transfers of policy loans	37,031	(8,564)
Transfers of cost of insurance	(305,666)	(280,461)
Transfers of surrenders	(232,538)	(258,988)
Transfers of death benefits	(760)	(6,933)
Transfers of other terminations	(45,129)	(33,185)
Interfund and net transfers to general account	<u>(202,826)</u>	<u>(351,950)</u>
Net decrease in net assets from capital share transactions	<u>(336,110)</u>	<u>(437,937)</u>
Total (decrease) increase in net assets	<u>(1,244,065)</u>	<u>570,575</u>
Net assets at end of year	<u>\$ 4,534,768</u>	<u>\$ 5,778,833</u>

The accompanying notes are an integral part of these financial statements



**Midland National Life Insurance Company**  
**Separate Account A**  
**Lord Abbett Series Fund, Inc. Capital Structure Portfolio**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 3,270
8,872 shares (cost \$111,553)	\$ 115,608	Capital gains distributions	<u>27</u>
			<u>3,297</u>
Liabilities	-	Expenses:	
		Administrative expense	-
Net assets	<u>\$ 115,608</u>	Mortality and expense risk	<u>1,043</u>
			<u>1,043</u>
		Net investment income	2,254
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	2,832
		Change in net unrealized depreciation on investments	<u>(6,106)</u>
		Net decrease in net assets resulting from operations	<u>\$ (1,020)</u>

**Statement of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
Net assets at beginning of year	\$ 120,003	\$ 122,203
Net (decrease) increase in net assets resulting from operations	(1,020)	15,417
Capital shares transactions		
Net premiums	11,402	11,915
Transfers of policy loans	-	-
Transfers of cost of insurance	(5,598)	(6,497)
Transfers of surrenders	(1,823)	(31,039)
Transfers of death benefits	-	-
Transfers of other terminations	(2,088)	-
Interfund and net transfers (to) from general account	<u>(5,268)</u>	<u>8,004</u>
Net decrease in net assets from capital share transactions	<u>(3,375)</u>	<u>(17,617)</u>
Total decrease in net assets	<u>(4,395)</u>	<u>(2,200)</u>
Net assets at end of year	<u>\$ 115,608</u>	<u>\$ 120,003</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**Alger Fund Large Cap Growth Portfolio**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 96,503
210,287 shares (cost \$7,808,345)	\$ 9,067,565	Capital gains distributions	<u>-</u>
Liabilities	<u>-</u>		<u>96,503</u>
Net assets	<u>\$ 9,067,565</u>	Expenses:	
		Administrative expense	362
		Mortality and expense risk	<u>79,103</u>
			<u>79,465</u>
		Net investment income	17,038
		Realized and change in unrealized gains	
		(losses) on investments	
		Net realized gains on investments	580,901
		Change in net unrealized depreciation on	
		investments	<u>(674,488)</u>
		Net decrease in net assets resulting from	
		operations	<u>\$ (76,549)</u>

**Statement of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
Net assets at beginning of year	\$ 10,117,273	\$ 10,963,637
Net (decrease) increase in net assets resulting from operations	(76,549)	1,048,849
Capital shares transactions		
Net premiums	1,091,364	1,093,034
Transfers of policy loans	91,716	34,780
Transfers of cost of insurance	(617,812)	(696,533)
Transfers of surrenders	(508,757)	(507,091)
Transfers of death benefits	(640)	(52,069)
Transfers of other terminations	(129,949)	(99,248)
Interfund and net transfers to general account	<u>(899,081)</u>	<u>(1,668,086)</u>
Net decrease in net assets from capital share transactions	<u>(973,159)</u>	<u>(1,895,213)</u>
Total decrease in net assets	<u>(1,049,708)</u>	<u>(846,364)</u>
Net assets at end of year	<u>\$ 9,067,565</u>	<u>\$ 10,117,273</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**Alger Fund Mid Cap Growth Portfolio**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 22,161
513,859 shares (cost \$5,698,145)	\$ 5,991,591	Capital gains distributions	<u>-</u>
Liabilities	<u>-</u>		<u>22,161</u>
Net assets	<u>\$ 5,991,591</u>	Expenses:	
		Administrative expense	179
		Mortality and expense risk	<u>49,116</u>
			<u>49,295</u>
		Net investment loss	(27,134)
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	432,634
		Change in net unrealized depreciation on investments	<u>(1,006,489)</u>
		Net decrease in net assets resulting from operations	<u>\$ (600,989)</u>

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010		
	2011	2010
Net assets at beginning of year	\$ 6,914,381	\$ 6,479,792
Net (decrease) increase in net assets resulting from operations	(600,989)	1,102,618
Capital shares transactions		
Net premiums	768,715	698,020
Transfers of policy loans	74,488	(29,380)
Transfers of cost of insurance	(470,245)	(457,096)
Transfers of surrenders	(329,876)	(432,018)
Transfers of death benefits	(1,501)	(49,996)
Transfers of other terminations	(81,949)	(79,038)
Interfund and net transfers to general account	<u>(281,433)</u>	<u>(318,521)</u>
Net decrease in net assets from capital share transactions	<u>(321,801)</u>	<u>(668,029)</u>
Total (decrease) increase in net assets	<u>(922,790)</u>	<u>434,589</u>
Net assets at end of year	<u>\$ 5,991,591</u>	<u>\$ 6,914,381</u>

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### Alger Fund Capital Appreciation Portfolio

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 12,325
151,210 shares (cost \$7,928,052)	\$ 7,855,345	Capital gains distributions	<u>-</u>
			12,325
Liabilities	<u>-</u>	Expenses:	
Net assets	<u>\$ 7,855,345</u>	Administrative expense	217
		Mortality and expense risk	<u>64,615</u>
			64,832
		Net investment loss	(52,507)
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	1,452,453
		Change in net unrealized depreciation on investments	<u>(1,591,841)</u>
		Net decrease in net assets resulting from operations	<u>\$ (191,895)</u>

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010		
	2011	2010
Net assets at beginning of year	\$ 8,539,862	\$ 8,265,722
Net (decrease) increase in net assets resulting from operations	(191,895)	898,321
Capital shares transactions		
Net premiums	907,244	776,413
Transfers of policy loans	91,875	(52,146)
Transfers of cost of insurance	(492,324)	(484,654)
Transfers of surrenders	(726,102)	(617,108)
Transfers of death benefits	(389)	(7,732)
Transfers of other terminations	(82,440)	(84,327)
Interfund and net transfers to general account	<u>(190,486)</u>	<u>(154,627)</u>
Net decrease in net assets from capital share transactions	(492,622)	(624,181)
Total (decrease) increase in net assets	<u>(684,517)</u>	<u>274,140</u>
Net assets at end of year	<u>\$ 7,855,345</u>	<u>\$ 8,539,862</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**Alger Fund Small Cap Growth Portfolio**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ -
188,895 shares (cost \$4,986,521)	\$ 5,861,398	Capital gains distributions	-
Liabilities	-		-
Net assets	<u>\$ 5,861,398</u>	Expenses:	
		Administrative expense	112
		Mortality and expense risk	48,871
			<u>48,983</u>
		Net investment loss	(48,983)
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	230,163
		Change in net unrealized depreciation on investments	<u>(404,757)</u>
		Net decrease in net assets resulting from operations	<u>\$ (223,577)</u>

**Statement of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
Net assets at beginning of year	\$ 6,603,653	\$ 5,934,640
Net (decrease) increase in net assets resulting from operations	(223,577)	1,324,823
Capital shares transactions		
Net premiums	405,094	490,091
Transfers of policy loans	24,979	(2,566)
Transfers of cost of insurance	(310,407)	(325,372)
Transfers of surrenders	(253,902)	(371,173)
Transfers of death benefits	(923)	(2,347)
Transfers of other terminations	(58,828)	(55,824)
Interfund and net transfers to general account	<u>(324,691)</u>	<u>(388,619)</u>
Net decrease in net assets from capital share transactions	<u>(518,678)</u>	<u>(655,810)</u>
Total (decrease) increase in net assets	<u>(742,255)</u>	<u>669,013</u>
Net assets at end of year	<u>\$ 5,861,398</u>	<u>\$ 6,603,653</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**Invesco Variable Insurance Funds Dividend Growth Fund**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 1,330
50,662 shares (cost \$676,821)	\$ 711,289	Capital gains distributions	<u>-</u>
			1,330
Liabilities	<u>-</u>	Expenses:	
Net assets	<u>\$ 711,289</u>	Administrative expense	45
		Mortality and expense risk	<u>5,674</u>
			5,719
		Net investment loss	(4,389)
		Realized and change in unrealized gains	
		(losses) on investments	
		Net realized gains on investments	20,959
		Change in net unrealized depreciation on	
		investments	<u>(39,341)</u>
		Net decrease in net assets resulting from	
		operations	<u>\$ (22,771)</u>

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010			
	2011		2010
Net assets at beginning of year	\$ 646,910	\$	647,049
Net (decrease) increase in net assets resulting from operations	(22,771)		52,097
Capital shares transactions			
Net premiums	93,617		80,061
Transfers of policy loans	742		14,615
Transfers of cost of insurance	(57,506)		(57,155)
Transfers of surrenders	(19,021)		(51,165)
Transfers of death benefits	-		(4,643)
Transfers of other terminations	(1,887)		(4,174)
Interfund and net transfers from (to) general account	<u>71,205</u>		<u>(29,775)</u>
Net increase (decrease) in net assets from capital share transactions	<u>87,150</u>		<u>(52,236)</u>
Total increase (decrease) in net assets	<u>64,379</u>		<u>(139)</u>
Net assets at end of year	<u>\$ 711,289</u>	\$	<u>646,910</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**Invesco Variable Insurance Funds Global Health Care Fund**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 79,991 shares (cost \$1,225,700)	\$ 1,389,446	Dividend income	\$ -
		Capital gains distributions	-
Liabilities	-		-
Net assets	<u>\$ 1,389,446</u>	Expenses:	
		Administrative expense	50
		Mortality and expense risk	9,605
			<u>9,655</u>
		Net investment loss	(9,655)
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	97,847
		Change in net unrealized depreciation on investments	<u>(59,401)</u>
		Net increase in net assets resulting from operations	<u>\$ 28,791</u>

**Statement of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
Net assets at beginning of year	\$ 1,288,385	\$ 1,164,469
Net increase in net assets resulting from operations	28,791	53,900
Capital shares transactions		
Net premiums	120,738	140,747
Transfers of policy loans	8,161	6,863
Transfers of cost of insurance	(90,529)	(94,512)
Transfers of surrenders	(45,622)	(56,915)
Transfers of death benefits	(717)	-
Transfers of other terminations	(23,044)	(9,169)
Interfund and net transfers from general account	<u>103,283</u>	<u>83,002</u>
Net increase in net assets from capital share transactions	72,270	70,016
Total increase in net assets	<u>101,061</u>	<u>123,916</u>
Net assets at end of year	<u>\$ 1,389,446</u>	<u>\$ 1,288,385</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**Invesco Variable Insurance Funds International Growth Fund**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 178,677 shares (cost \$4,561,844)	\$ 4,711,721	Dividend income	\$ 76,895
		Capital gains distributions	<u>-</u>
Liabilities	<u>-</u>		<u>76,895</u>
Net assets	<u>\$ 4,711,721</u>	Expenses:	
		Administrative expense	184
		Mortality and expense risk	<u>33,762</u>
			<u>33,946</u>
		Net investment income	42,949
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	187,862
		Change in net unrealized depreciation on investments	<u>(595,102)</u>
		Net decrease in net assets resulting from operations	<u>\$ (364,291)</u>

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010		
	2011	2010
Net assets at beginning of year	\$ 5,011,954	\$ 4,296,126
Net (decrease) increase in net assets resulting from operations	(364,291)	528,879
Capital shares transactions		
Net premiums	845,780	750,643
Transfers of policy loans	30,069	(63,600)
Transfers of cost of insurance	(351,223)	(350,130)
Transfers of surrenders	(172,624)	(90,805)
Transfers of death benefits	-	(8,477)
Transfers of other terminations	(39,132)	(46,773)
Interfund and net transfers to general account	<u>(248,812)</u>	<u>(3,909)</u>
Net increase in net assets from capital share transactions	<u>64,058</u>	<u>186,949</u>
Total (decrease) increase in net assets	<u>(300,233)</u>	<u>715,828</u>
Net assets at end of year	<u>\$ 4,711,721</u>	<u>\$ 5,011,954</u>

The accompanying notes are an integral part of these financial statements



**Midland National Life Insurance Company**  
**Separate Account A**  
**Van Eck Worldwide Insurance Trust Global Hard Assets Fund**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 202,493
469,875 shares (cost \$14,929,771)	\$ 14,448,645	Capital gains distributions	<u>216,820</u>
Liabilities	-		<u>419,313</u>
Net assets	<u>\$ 14,448,645</u>	Expenses:	
		Administrative expense	467
		Mortality and expense risk	<u>124,834</u>
			<u>125,301</u>
		Net investment income	294,012
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	1,916,982
		Change in net unrealized depreciation on investments	<u>(5,317,660)</u>
		Net decrease in net assets resulting from operations	<u>\$ (3,106,666)</u>

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010		
	2011	2010
Net assets at beginning of year	\$ 18,167,360	\$ 13,809,699
Net (decrease) increase in net assets resulting from operations	(3,106,666)	3,971,232
Capital shares transactions		
Net premiums	1,947,723	1,365,818
Transfers of policy loans	302,243	(16,353)
Transfers of cost of insurance	(978,000)	(810,419)
Transfers of surrenders	(975,248)	(729,069)
Transfers of death benefits	-	(6,737)
Transfers of other terminations	(152,963)	(120,061)
Interfund and net transfers (to) from general account	<u>(755,804)</u>	<u>703,250</u>
Net (decrease) increase in net assets from capital share transactions	<u>(612,049)</u>	<u>386,429</u>
Total (decrease) increase in net assets	<u>(3,718,715)</u>	<u>4,357,661</u>
Net assets at end of year	<u>\$ 14,448,645</u>	<u>\$ 18,167,360</u>

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### PIMCO Variable Insurance Trust Total Return Portfolio

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 764,853
2,680,051 shares (cost \$29,979,943)	\$ 29,534,163	Capital gains distributions	<u>398,592</u>
			1,163,445
Liabilities	-	Expenses:	
Net assets	<u>\$ 29,534,163</u>	Administrative expense	1,731
		Mortality and expense risk	<u>220,496</u>
			<u>222,227</u>
		Net investment income	941,218
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	332,278
		Change in net unrealized depreciation on investments	<u>(423,477)</u>
		Net increase in net assets resulting from operations	<u>\$ 850,019</u>

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010		
	2011	2010
Net assets at beginning of year	\$ 26,443,080	\$ 27,862,716
Net increase in net assets resulting from operations	850,019	2,147,479
Capital shares transactions		
Net premiums	3,482,153	2,798,678
Transfers of policy loans	1,081,650	475,544
Transfers of cost of insurance	(1,807,716)	(1,866,739)
Transfers of surrenders	(1,697,644)	(1,352,775)
Transfers of death benefits	-	(22,003)
Transfers of other terminations	(323,255)	(356,125)
Interfund and net transfers from (to) general account	<u>1,505,876</u>	<u>(3,243,695)</u>
Net increase (decrease) in net assets from capital share transactions	<u>2,241,064</u>	<u>(3,567,115)</u>
Total increase (decrease) in net assets	<u>3,091,083</u>	<u>(1,419,636)</u>
Net assets at end of year	<u>\$ 29,534,163</u>	<u>\$ 26,443,080</u>

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### PIMCO Variable Insurance Trust Low Duration Portfolio

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 209,978 shares (cost \$2,138,113)	\$ 2,179,575	Dividend income	\$ 36,388
		Capital gains distributions	<u>-</u>
Liabilities	<u>-</u>		<u>36,388</u>
Net assets	<u>\$ 2,179,575</u>	Expenses:	
		Administrative expense	14
		Mortality and expense risk	<u>12,752</u>
			<u>12,766</u>
		Net investment income	23,622
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	2,884
		Change in net unrealized depreciation on investments	<u>(14,687)</u>
		Net increase in net assets resulting from operations	<u>\$ 11,819</u>

#### Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010

	2011	2010
Net assets at beginning of year	\$ 2,163,896	\$ 2,102,392
Net increase in net assets resulting from operations	11,819	97,020
Capital shares transactions		
Net premiums	93,308	97,802
Transfers of policy loans	2,997	2,573
Transfers of cost of insurance	(85,061)	(81,837)
Transfers of surrenders	(1,048)	(6,801)
Transfers of death benefits	-	-
Transfers of other terminations	(1,524)	(1,145)
Interfund and net transfers to general account	<u>(4,812)</u>	<u>(46,108)</u>
Net increase (decrease) in net assets from capital share transactions	<u>3,860</u>	<u>(35,516)</u>
Total increase in net assets	<u>15,679</u>	<u>61,504</u>
Net assets at end of year	<u>\$ 2,179,575</u>	<u>\$ 2,163,896</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**PIMCO Variable Insurance Trust High Yield Portfolio**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 318,785
1,101,141 shares (cost \$8,275,799)	\$ 8,225,521	Capital gains distributions	-
Liabilities	-		<u>318,785</u>
Net assets	<u>\$ 8,225,521</u>	Expenses:	
		Administrative expense	74
		Mortality and expense risk	35,326
			<u>35,400</u>
		Net investment income	283,385
		Realized and change in unrealized losses on investments	
		Net realized losses on investments	(485,886)
		Change in net unrealized depreciation on investments	(66,699)
			<u>(66,699)</u>
		Net decrease in net assets resulting from operations	<u>\$ (269,200)</u>

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010		
	2011	2010
Net assets at beginning of year	\$ 2,773,483	\$ 2,388,610
Net (decrease) increase in net assets resulting from operations	(269,200)	568,398
Capital shares transactions		
Net premiums	467,087	482,699
Transfers of policy loans	337,200	157,692
Transfers of cost of insurance	(244,034)	(282,954)
Transfers of surrenders	(137,183)	(275,527)
Transfers of death benefits	-	(8,266)
Transfers of other terminations	(35,109)	(79,425)
Interfund and net transfers from (to) general account	5,333,277	(177,744)
Net increase (decrease) in net assets from capital share transactions	<u>5,721,238</u>	<u>(183,525)</u>
Total increase in net assets	<u>5,452,038</u>	<u>384,873</u>
Net assets at end of year	<u>\$ 8,225,521</u>	<u>\$ 2,773,483</u>

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### PIMCO Variable Insurance Trust Real Return Portfolio

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 453,636 shares (cost \$5,986,988)	\$ 6,328,227	Dividend income	\$ 125,640
		Capital gains distributions	194,630
Liabilities	-		<u>320,270</u>
Net assets	<u>\$ 6,328,227</u>	Expenses:	
		Administrative expense	144
		Mortality and expense risk	41,431
			<u>41,575</u>
		Net investment income	278,695
		Realized and change in unrealized gains on investments	
		Net realized gains on investments	224,848
		Change in net unrealized appreciation on investments	116,155
			<u>116,155</u>
		Net increase in net assets resulting from operations	<u>\$ 619,698</u>

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010		
	2011	2010
Net assets at beginning of year	\$ 5,873,537	\$ 5,612,147
Net increase in net assets resulting from operations	619,698	403,467
Capital shares transactions		
Net premiums	336,995	356,559
Transfers of policy loans	382,160	175,502
Transfers of cost of insurance	(304,437)	(283,031)
Transfers of surrenders	(219,012)	(222,965)
Transfers of death benefits	-	-
Transfers of other terminations	(34,140)	(22,564)
Interfund and net transfers to general account	(326,574)	(145,578)
Net decrease in net assets from capital share transactions	<u>(165,008)</u>	<u>(142,077)</u>
Total increase in net assets	<u>454,690</u>	<u>261,390</u>
Net assets at end of year	<u>\$ 6,328,227</u>	<u>\$ 5,873,537</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**Goldman Sachs Variable Insurance Trust Structured Small Cap Equity Fund**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 253,370 shares (cost \$2,512,586)	\$ 2,888,421	Dividend income	\$ 24,299
		Capital gains distributions	<u>-</u>
Liabilities	<u>-</u>		<u>24,299</u>
Net assets	<u>\$ 2,888,421</u>	Expenses:	
		Administrative expense	142
		Mortality and expense risk	<u>23,323</u>
			<u>23,465</u>
		Net investment income	834
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	311,983
		Change in net unrealized depreciation on investments	<u>(362,557)</u>
		Net decrease in net assets resulting from operations	<u>\$ (49,740)</u>

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010		
	2011	2010
Net assets at beginning of year	\$ 2,766,214	\$ 2,556,517
Net (decrease) increase in net assets resulting from operations	(49,740)	623,826
Capital shares transactions		
Net premiums	358,734	279,235
Transfers of policy loans	8,231	53
Transfers of cost of insurance	(150,847)	(141,624)
Transfers of surrenders	(90,022)	(52,427)
Transfers of death benefits	-	-
Transfers of other terminations	(21,816)	(25,573)
Interfund and net transfers from (to) general account	<u>67,667</u>	<u>(473,793)</u>
Net increase (decrease) in net assets from capital share transactions	<u>171,947</u>	<u>(414,129)</u>
Total increase in net assets	<u>122,207</u>	<u>209,697</u>
Net assets at end of year	<u>\$ 2,888,421</u>	<u>\$ 2,766,214</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**Goldman Sachs Variable Insurance Trust Large Cap Value Fund**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 328,775 shares (cost \$3,086,933)	\$ 3,087,201	Dividend income	\$ 40,627
		Capital gains distributions	<u>-</u>
Liabilities	<u>-</u>		<u>40,627</u>
Net assets	<u>\$ 3,087,201</u>	Expenses:	
		Administrative expense	154
		Mortality and expense risk	<u>23,142</u>
			<u>23,296</u>
		Net investment income	17,331
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	177,459
		Change in net unrealized depreciation on investments	<u>(419,456)</u>
		Net decrease in net assets resulting from operations	<u>\$ (224,666)</u>

**Statement of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
Net assets at beginning of year	\$ 3,764,457	\$ 4,169,697
Net (decrease) increase in net assets resulting from operations	(224,666)	279,903
Capital shares transactions		
Net premiums	562,812	704,404
Transfers of policy loans	17,129	4,310
Transfers of cost of insurance	(255,745)	(315,525)
Transfers of surrenders	(119,135)	(161,483)
Transfers of death benefits	(582)	(11,947)
Transfers of other terminations	(37,667)	(46,273)
Interfund and net transfers to general account	<u>(619,402)</u>	<u>(858,629)</u>
Net decrease in net assets from capital share transactions	<u>(452,590)</u>	<u>(685,143)</u>
Total decrease in net assets	<u>(677,256)</u>	<u>(405,240)</u>
Net assets at end of year	<u>\$ 3,087,201</u>	<u>\$ 3,764,457</u>

The accompanying notes are an integral part of these financial statements

**Midland National Life Insurance Company**  
**Separate Account A**  
**Neuberger Berman Advisors Management Trust Regency Portfolio**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 897
9,074 shares (cost \$128,252)	\$ 129,392	Capital gains distributions	<u>-</u>
			897
Liabilities	<u>-</u>	Expenses:	
Net assets	<u>\$ 129,392</u>	Administrative expense	7
		Mortality and expense risk	<u>994</u>
			1,001
		Net investment loss	(104)
		Realized and change in unrealized gains	
		(losses) on investments	
		Net realized gains on investments	21,845
		Change in net unrealized depreciation on	
		investments	<u>(30,451)</u>
		Net decrease in net assets resulting from	
		operations	<u>\$ (8,710)</u>

**Statement of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
Net assets at beginning of year	\$ 223,342	\$ 92,288
Net (decrease) increase in net assets resulting from operations	(8,710)	36,286
Capital shares transactions		
Net premiums	42,162	12,625
Transfers of policy loans	1,557	(718)
Transfers of cost of insurance	(9,998)	(14,853)
Transfers of surrenders	(1,698)	(17,482)
Transfers of death benefits	-	-
Transfers of other terminations	(35)	-
Interfund and net transfers (to) from general account	<u>(117,228)</u>	<u>115,196</u>
Net (decrease) increase in net assets from capital share transactions	<u>(85,240)</u>	<u>94,768</u>
Total (decrease) increase in net assets	<u>(93,950)</u>	<u>131,054</u>
Net assets at end of year	<u>\$ 129,392</u>	<u>\$ 223,342</u>

The accompanying notes are an integral part of these financial statements



**Midland National Life Insurance Company**  
**Separate Account A**  
**Premier VIT NACM Small Cap Portfolio**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ -
0 shares (cost \$0)	\$ -	Capital gains distributions	-
Liabilities	-		-
Net assets	\$ -	Expenses:	
		Administrative expense	-
		Mortality and expense risk	-
			-
		Net investment income	-
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	-
		Change in net unrealized appreciation on investments	-
		Net increase in net assets resulting from operations	\$ -

**Statement of Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
Net assets at beginning of year	\$ -	\$ 314,436
Net increase in net assets resulting from operations	-	46,506
Capital shares transactions		
Net premiums	-	21,403
Transfers of policy loans	-	1,240
Transfers of cost of insurance	-	(5,604)
Transfers of surrenders	-	(2,758)
Transfers of death benefits	-	-
Transfers of other terminations	-	5
Interfund and net transfers to general account	-	(375,228)
Net increase (decrease) in net assets from capital share transactions	-	(360,942)
Total increase (decrease) in net assets	-	(314,436)
Net assets at end of year	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### ProFunds VP Japan

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 4,438 shares (cost \$55,533)	\$ 46,026	Dividend income	\$ -
		Capital gains distributions	-
Liabilities	-		-
Net assets	<u>\$ 46,026</u>	Expenses:	
		Administrative expense	3
		Mortality and expense risk	350
			<u>353</u>
		Net investment loss	(353)
		Realized and change in unrealized losses on investments	
		Net realized losses on investments	(8,140)
		Change in net unrealized depreciation on investments	<u>(8,765)</u>
		Net decrease in net assets resulting from operations	<u>\$ (17,258)</u>

#### Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010

	2011	2010
Net assets at beginning of year	\$ 80,823	\$ 52,902
Net decrease in net assets resulting from operations	(17,258)	(11,625)
Capital shares transactions		
Net premiums	6,413	24,817
Transfers of policy loans	150	63
Transfers of cost of insurance	(6,179)	(7,779)
Transfers of surrenders	-	(2,939)
Transfers of death benefits	-	-
Transfers of other terminations	(521)	(73)
Interfund and net transfers (to) from general account	<u>(17,402)</u>	<u>25,457</u>
Net (decrease) increase in net assets from capital share transactions	<u>(17,539)</u>	<u>39,546</u>
Total (decrease) increase in net assets	<u>(34,797)</u>	<u>27,921</u>
Net assets at end of year	<u>\$ 46,026</u>	<u>\$ 80,823</u>

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### ProFunds VP Oil & Gas

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 35,771 shares (cost \$1,608,660)	\$ 1,698,396	Dividend income	\$ 2,233
		Capital gains distributions	<u>-</u>
Liabilities	<u>-</u>		<u>2,233</u>
Net assets	<u>\$ 1,698,396</u>	Expenses:	
		Administrative expense	25
		Mortality and expense risk	<u>13,229</u>
			<u>13,254</u>
		Net investment loss	(11,021)
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	126,153
		Change in net unrealized depreciation on investments	<u>(129,710)</u>
		Net decrease in net assets resulting from operations	<u>\$ (14,578)</u>

#### Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010

	2011	2010
Net assets at beginning of year	\$ 1,441,372	\$ 1,532,031
Net (decrease) increase in net assets resulting from operations	(14,578)	195,061
Capital shares transactions		
Net premiums	285,392	281,172
Transfers of policy loans	7,096	5,088
Transfers of cost of insurance	(104,952)	(91,883)
Transfers of surrenders	(96,575)	(33,654)
Transfers of death benefits	-	-
Transfers of other terminations	(25,951)	(5,125)
Interfund and net transfers from (to) general account	<u>206,592</u>	<u>(441,318)</u>
Net increase (decrease) in net assets from capital share transactions	<u>271,602</u>	<u>(285,720)</u>
Total increase (decrease) in net assets	<u>257,024</u>	<u>(90,659)</u>
Net assets at end of year	<u>\$ 1,698,396</u>	<u>\$ 1,441,372</u>

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### ProFunds VP Small-Cap

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 24,047 shares (cost \$650,049)	\$ 629,555	Dividend income	\$ -
		Capital gains distributions	-
Liabilities	-		-
Net assets	<u>\$ 629,555</u>	Expenses:	
		Administrative expense	21
		Mortality and expense risk	6,450
			<u>6,471</u>
		Net investment loss	(6,471)
		Realized and change in unrealized losses on investments	
		Net realized losses on investments	(289,887)
		Change in net unrealized depreciation on investments	<u>(211,752)</u>
		Net decrease in net assets resulting from operations	<u>\$ (508,110)</u>

#### Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010

	2011	2010
Net assets at beginning of year	\$ 1,243,578	\$ 221,592
Net (decrease) increase in net assets resulting from operations	(508,110)	189,640
Capital shares transactions		
Net premiums	220,627	111,201
Transfers of policy loans	5,589	1,018
Transfers of cost of insurance	(67,312)	(46,645)
Transfers of surrenders	(17,746)	(31,975)
Transfers of death benefits	-	-
Transfers of other terminations	(7,834)	(6,435)
Interfund and net transfers (to) from general account	<u>(239,237)</u>	<u>805,182</u>
Net (decrease) increase in net assets from capital share transactions	<u>(105,913)</u>	<u>832,346</u>
Total (decrease) increase in net assets	<u>(614,023)</u>	<u>1,021,986</u>
Net assets at end of year	<u>\$ 629,555</u>	<u>\$ 1,243,578</u>

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### ProFunds VP Ultra Mid-Cap

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ -
26,501 shares (cost \$651,661)	\$ 628,858	Capital gains distributions	-
			-
Liabilities	-		-
Net assets	<u>\$ 628,858</u>	Expenses:	
		Administrative expense	10
		Mortality and expense risk	5,339
			<u>5,349</u>
		Net investment loss	(5,349)
		Realized and change in unrealized gains	
		(losses) on investments	
		Net realized gains on investments	44,404
		Change in net unrealized depreciation on	
		investments	<u>(147,448)</u>
		Net decrease in net assets resulting from	
		operations	<u>\$ (108,393)</u>

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010			
	2011	2010	
Net assets at beginning of year	\$ 618,076	\$ 172,244	
Net (decrease) increase in net assets resulting from operations	(108,393)	135,788	
Capital shares transactions			
Net premiums	99,106	17,707	
Transfers of policy loans	2,441	(642)	
Transfers of cost of insurance	(49,870)	(35,644)	
Transfers of surrenders	(4,569)	(10,123)	
Transfers of death benefits	-	(3,547)	
Transfers of other terminations	(14,621)	(4,321)	
Interfund and net transfers from general account	<u>86,688</u>	<u>346,614</u>	
Net increase in net assets from capital share transactions	119,175	310,044	
Total increase in net assets	<u>10,782</u>	<u>445,832</u>	
Net assets at end of year	<u>\$ 628,858</u>	<u>\$ 618,076</u>	

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### Vanguard Variable Insurance Funds Balanced

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 34,946 shares (cost \$595,886)	\$ 660,479	Dividend income	\$ 15,235
		Capital gains distributions	-
Liabilities	-		<u>15,235</u>
Net assets	<u>\$ 660,479</u>	Expenses:	
		Administrative expense	10
		Mortality and expense risk	3,200
			<u>3,210</u>
		Net investment income	12,025
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	9,567
		Change in net unrealized depreciation on investments	<u>(3,496)</u>
		Net increase in net assets resulting from operations	<u>\$ 18,096</u>

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010			
	2011		2010
Net assets at beginning of year	\$ 506,439	\$	408,802
Net increase in net assets resulting from operations	18,096		47,818
Capital shares transactions			
Net premiums	42,402		50,523
Transfers of policy loans	994		79
Transfers of cost of insurance	(32,818)		(26,024)
Transfers of surrenders	(7,103)		(21,560)
Transfers of death benefits	-		-
Transfers of other terminations	(1,187)		(7,394)
Interfund and net transfers from general account	<u>133,656</u>		<u>54,195</u>
Net increase in net assets from capital share transactions	<u>135,944</u>		<u>49,819</u>
Total increase in net assets	<u>154,040</u>		<u>97,637</u>
Net assets at end of year	<u>\$ 660,479</u>	\$	<u>506,439</u>

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### Vanguard Variable Insurance Funds Total Bond Market Index

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 43,560 shares (cost \$530,347)	\$ 541,451	Dividend income	\$ 7,769
		Capital gains distributions	2,110
			<u>9,879</u>
Liabilities	-	Expenses:	
Net assets	<u>\$ 541,451</u>	Administrative expense	26
		Mortality and expense risk	1,457
			<u>1,483</u>
		Net investment income	8,396
		Realized and change in unrealized gains on investments	
		Net realized gains on investments	2,747
		Change in net unrealized appreciation on investments	8,049
			<u>8,049</u>
		Net increase in net assets resulting from operations	<u>\$ 19,192</u>

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010			
	2011	2010	
Net assets at beginning of year	\$ 192,136	\$ 145,893	
Net increase in net assets resulting from operations	19,192	7,671	
Capital shares transactions			
Net premiums	70,026	55,371	
Transfers of policy loans	1,940	(238)	
Transfers of cost of insurance	(20,798)	(14,338)	
Transfers of surrenders	(3,395)	(3,441)	
Transfers of death benefits	-	-	
Transfers of other terminations	(2,452)	-	
Interfund and net transfers from general account	284,802	1,218	
Net increase in net assets from capital share transactions	<u>330,123</u>	<u>38,572</u>	
Total increase in net assets	<u>349,315</u>	<u>46,243</u>	
Net assets at end of year	<u>\$ 541,451</u>	<u>\$ 192,136</u>	

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### Vanguard Variable Insurance Funds High Yield Bond

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 19,315
41,432 shares (cost \$298,997)	\$ 319,854	Capital gains distributions	<u>-</u>
			19,315
Liabilities	<u>-</u>	Expenses:	
Net assets	<u>\$ 319,854</u>	Administrative expense	42
		Mortality and expense risk	<u>1,756</u>
			1,798
		Net investment income	17,517
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	5,285
		Change in net unrealized depreciation on investments	<u>(5,606)</u>
		Net increase in net assets resulting from operations	<u>\$ 17,196</u>

#### Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010

	2011	2010
Net assets at beginning of year	\$ 263,774	\$ 233,944
Net increase in net assets resulting from operations	17,196	24,331
Capital shares transactions		
Net premiums	51,442	33,041
Transfers of policy loans	941	569
Transfers of cost of insurance	(19,603)	(17,521)
Transfers of surrenders	(2,957)	-
Transfers of death benefits	-	-
Transfers of other terminations	(6,868)	(37)
Interfund and net transfers from (to) general account	<u>15,929</u>	<u>(10,553)</u>
Net increase in net assets from capital share transactions	38,884	5,499
Total increase in net assets	<u>56,080</u>	<u>29,830</u>
Net assets at end of year	<u>\$ 319,854</u>	<u>\$ 263,774</u>

The accompanying notes are an integral part of these financial statements



**Midland National Life Insurance Company**  
**Separate Account A**  
**Vanguard Variable Insurance Funds International**

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 522,886 shares (cost \$8,396,917)	\$ 8,146,570	Dividend income	\$ 124,873
		Capital gains distributions	-
Liabilities	-		<u>124,873</u>
Net assets	<u>\$ 8,146,570</u>	Expenses:	
		Administrative expense	1,612
		Mortality and expense risk	49,756
			<u>51,368</u>
		Net investment income	73,505
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	348,455
		Change in net unrealized depreciation on investments	<u>(1,744,828)</u>
		Net decrease in net assets resulting from operations	<u>\$ (1,322,868)</u>

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010		
	2011	2010
Net assets at beginning of year	\$ 7,609,345	\$ 3,339,477
Net (decrease) increase in net assets resulting from operations	(1,322,868)	1,026,162
Capital shares transactions		
Net premiums	1,502,314	724,094
Transfers of policy loans	48,854	(9,362)
Transfers of cost of insurance	(538,414)	(338,628)
Transfers of surrenders	(358,106)	(184,380)
Transfers of death benefits	-	(9,324)
Transfers of other terminations	(57,192)	(45,109)
Interfund and net transfers from general account	<u>1,262,637</u>	<u>3,106,415</u>
Net increase in net assets from capital share transactions	<u>1,860,093</u>	<u>3,243,706</u>
Total increase in net assets	<u>537,225</u>	<u>4,269,868</u>
Net assets at end of year	<u>\$ 8,146,570</u>	<u>\$ 7,609,345</u>

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### Vanguard Variable Insurance Funds Mid-Cap Index

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 57,507
444,671 shares (cost \$5,829,403)	\$ 6,443,284	Capital gains distributions	<u>-</u>
			<u>57,507</u>
Liabilities	<u>-</u>	Expenses:	
Net assets	<u>\$ 6,443,284</u>	Administrative expense	246
		Mortality and expense risk	<u>37,030</u>
			<u>37,276</u>
		Net investment income	20,231
		Realized and change in unrealized gains	
		(losses) on investments	
		Net realized gains on investments	337,198
		Change in net unrealized depreciation on	
		investments	<u>(584,235)</u>
		Net decrease in net assets resulting from	
		operations	<u>\$ (226,806)</u>

#### Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010

	2011	2010
Net assets at beginning of year	\$ 5,470,921	\$ 1,933,730
Net (decrease) increase in net assets resulting from operations	(226,806)	980,703
Capital shares transactions		
Net premiums	1,114,875	488,121
Transfers of policy loans	30,386	6,143
Transfers of cost of insurance	(389,995)	(235,344)
Transfers of surrenders	(261,699)	(84,219)
Transfers of death benefits	-	(7,489)
Transfers of other terminations	(40,799)	(36,123)
Interfund and net transfers from general account	<u>746,401</u>	<u>2,425,399</u>
Net increase in net assets from capital share transactions	<u>1,199,169</u>	<u>2,556,488</u>
Total increase in net assets	<u>972,363</u>	<u>3,537,191</u>
Net assets at end of year	<u>\$ 6,443,284</u>	<u>\$ 5,470,921</u>

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### Vanguard Variable Insurance Funds REIT Index

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 132,579 shares (cost \$1,378,978)	\$ 1,445,112	Dividend income	\$ 20,549
		Capital gains distributions	14,439
			<u>34,988</u>
Liabilities	-	Expenses:	
Net assets	<u>\$ 1,445,112</u>	Administrative expense	44
		Mortality and expense risk	9,350
			<u>9,394</u>
		Net investment income	25,594
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	174,054
		Change in net unrealized depreciation on investments	<u>(116,152)</u>
		Net increase in net assets resulting from operations	<u>\$ 83,496</u>

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010		
	2011	2010
Net assets at beginning of year	\$ 1,135,310	\$ 416,328
Net increase in net assets resulting from operations	83,496	199,726
Capital shares transactions		
Net premiums	251,876	121,957
Transfers of policy loans	302,561	150,509
Transfers of cost of insurance	(80,444)	(47,971)
Transfers of surrenders	(5,102)	(35,228)
Transfers of death benefits	-	-
Transfers of other terminations	(5,456)	(788)
Interfund and net transfers (to) from general account	<u>(237,129)</u>	<u>330,777</u>
Net increase in net assets from capital share transactions	<u>226,306</u>	<u>519,256</u>
Total increase in net assets	<u>309,802</u>	<u>718,982</u>
Net assets at end of year	<u>\$ 1,445,112</u>	<u>\$ 1,135,310</u>

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### Vanguard Variable Insurance Funds Small Company Growth

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 236,716 shares (cost \$3,504,079)	\$ 4,234,844	Dividend income	\$ 8,063
		Capital gains distributions	-
Liabilities	-		8,063
Net assets	\$ 4,234,844	Expenses:	
		Administrative expense	217
		Mortality and expense risk	26,067
			26,284
		Net investment loss	(18,221)
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	435,457
		Change in net unrealized depreciation on investments	(382,679)
		Net increase in net assets resulting from operations	\$ 34,557

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010		
	2011	2010
Net assets at beginning of year	\$ 4,044,446	\$ 2,176,091
Net increase in net assets resulting from operations	34,557	863,302
Capital shares transactions		
Net premiums	732,899	437,305
Transfers of policy loans	20,609	5,089
Transfers of cost of insurance	(272,950)	(197,010)
Transfers of surrenders	(107,710)	(55,281)
Transfers of death benefits	(14,499)	(7,487)
Transfers of other terminations	(32,661)	(22,946)
Interfund and net transfers (to) from general account	(169,847)	845,383
Net increase in net assets from capital share transactions	155,841	1,005,053
Total increase in net assets	190,398	1,868,355
Net assets at end of year	\$ 4,234,844	\$ 4,044,446

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### Vanguard Variable Insurance Funds Short Term Investment Grade

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio,		Dividend income	\$ 27,107
229,480 shares (cost \$2,457,629)	\$ 2,457,729	Capital gains distributions	7,692
			<u>34,799</u>
Liabilities	-	Expenses:	
		Administrative expense	5
Net assets	<u>\$ 2,457,729</u>	Mortality and expense risk	12,649
			<u>12,654</u>
		Net investment income	22,145
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	18,517
		Change in net unrealized depreciation on investments	<u>(34,058)</u>
		Net increase in net assets resulting from operations	<u>\$ 6,604</u>

#### Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010

	2011	2010
Net assets at beginning of year	\$ 842,532	\$ 670,277
Net increase in net assets resulting from operations	6,604	34,614
Capital shares transactions		
Net premiums	40,669	95,927
Transfers of policy loans	16,121	(1,542)
Transfers of cost of insurance	(64,792)	(40,713)
Transfers of surrenders	(15,497)	(38,678)
Transfers of death benefits	-	-
Transfers of other terminations	(700,284)	(1,900)
Interfund and net transfers from general account	<u>2,332,376</u>	<u>124,547</u>
Net increase in net assets from capital share transactions	<u>1,608,593</u>	<u>137,641</u>
Total increase in net assets	<u>1,615,197</u>	<u>172,255</u>
Net assets at end of year	<u>\$ 2,457,729</u>	<u>\$ 842,532</u>

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### Vanguard Variable Insurance Funds Total Stock Market Index

Statement of Assets and Liabilities December 31, 2011		Statement of Operations Year Ended December 31, 2011	
Assets:		Investment income:	
Investment in Portfolio, 19,219 shares (cost \$423,603)	\$ 454,151	Dividend income	\$ 5,403
		Capital gains distributions	11,601
Liabilities	-		17,004
Net assets	\$ 454,151	Expenses:	
		Administrative expense	134
		Mortality and expense risk	2,317
			2,451
		Net investment income	14,553
		Realized and change in unrealized gains (losses) on investments	
		Net realized gains on investments	19,820
		Change in net unrealized depreciation on investments	(35,623)
		Net decrease in net assets resulting from operations	\$ (1,250)

Statement of Changes in Net Assets Years Ended December 31, 2011 and 2010			
	2011	2010	
Net assets at beginning of year	\$ 368,603	\$ 412,374	
Net (decrease) increase in net assets resulting from operations	(1,250)	48,587	
Capital shares transactions			
Net premiums	81,712	41,189	
Transfers of policy loans	3,679	2,034	
Transfers of cost of insurance	(40,390)	(38,379)	
Transfers of surrenders	-	(77)	
Transfers of death benefits	-	-	
Transfers of other terminations	(1,602)	(2,748)	
Interfund and net transfers from (to) general account	43,399	(94,377)	
Net increase (decrease) in net assets from capital share transactions	86,798	(92,358)	
Total increase (decrease) in net assets	85,548	(43,771)	
Net assets at end of year	\$ 454,151	\$ 368,603	

The accompanying notes are an integral part of these financial statements

# Midland National Life Insurance Company

## Separate Account A

### Notes to Financial Statements

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#### 1. Organization and Significant Accounting Policies

##### Organization

Midland National Life Separate Account A ("Separate Account"), a unit investment trust pursuant to the provisions of the Investment Company Act of 1940 as amended, is a segregated investment account of Midland National Life Insurance Company (the "Company") in accordance with the provisions of the Iowa insurance laws. The assets and liabilities of the Separate Account are clearly identified and distinguished from the other assets and liabilities of the Company. The Separate Account is used to fund variable universal life insurance policies of the Company. The Separate Account consists of twelve insurance products, each with different characteristics. The dates in which products were introduced result in different product groups. Sammons Securities Corporation, an affiliate, serves as the underwriter of the variable products.

##### Investments

The Separate Account invests in specified portfolios of Fidelity Variable Insurance Products Fund I ("VIPF"), Fidelity Variable Insurance Products Fund II ("VIPF II"), Fidelity Variable Insurance Products Fund III ("VIPF III"), American Century Variable Portfolios, Inc. ("ACVP"), MFS Variable Insurance Trust ("MFS"), Lord Abbett Series Fund, Inc. ("LAC"), Alger Fund ("FAM"), Invesco Variable Insurance Funds ("INV"), Van Eck Worldwide Insurance Trust ("Van Eck"), PIMCO Variable Insurance Trust ("PIMCO"), Goldman Sachs Variable Insurance Trust ("Goldman"), Neuberger Berman Advisors Management Trust ("Neuberger"), Premier VIT ("Premier"), ProFunds VP ("PF") and Vanguard Variable Insurance Funds ("Vanguard"), (collectively "the Funds"), each diversified open-end management companies registered under the Investment Company Act of 1940, as directed by participants. All portfolios have been in existence for more than two years.

Effective July 17, 2009, the PIMCO Stocks Plus Growth and Income Fund was liquidated. The plan of liquidation and dissolution was approved by the Board of Trustees of the PIMCO Variable Insurance Trust. All policyowners were given the opportunity to transfer any values in this fund to any other option(s) of their choice without incurring a transfer charge.

Effective November 20, 2009, the PIMCO Small Cap Stocks Plus Total Return Fund was liquidated. The plan of liquidation and dissolution was approved by the Board of Trustees of the PIMCO Variable Insurance Trust. All policyowners were given the opportunity to transfer any values in this fund to any other option(s) of their choice without incurring a transfer charge.

Effective December 8, 2009, the Van Eck Worldwide Real Estate Fund was liquidated. The plan of liquidation and dissolution was approved by the Board of Trustees of Van Eck Worldwide Insurance Trust. All policyowners were given the opportunity to transfer any values in this fund to any other option(s) of their choice without incurring a transfer charge.

Effective January 6, 2010, the Goldman Growth & Income Fund was renamed the Goldman Large Cap Value Fund.

Effective April 16, 2010, the Premier VIT NACM Small Cap Fund was liquidated. The plan of liquidation and dissolution was approved by the Board of Trustees of Premier VIT. All policyowners were given the opportunity to transfer any values in this fund to any other option(s) of their choice without incurring a transfer charge. Transfer or premium payments not redirected by March 11, 2010 were transferred to the Fidelity VIPF Money Market Portfolio.

# Midland National Life Insurance Company

## Separate Account A

### Notes to Financial Statements

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Effective May 1, 2010, several funds had name changes. The LAC American Value Portfolio was renamed the LAC Capital Structure Portfolio, the LAC International Portfolio was renamed the LAC International Opportunities Portfolio, and the Van Eck Worldwide Hard Assets Fund was renamed the Van Eck Global Hard Assets Fund.

Effective May 1, 2010, the AIM Variable Insurance Funds were renamed the Invesco Variable Insurance Funds and the Alger American Funds were renamed the Alger Funds.

Effective May 2, 2011, the INV Financial Services Fund was renamed the INV Dividend Growth Fund.

Investments in shares of the Funds are valued at the net asset values (fair values) of the respective portfolios of the Funds corresponding to the investment portfolios of the Separate Account. Investment transactions are recorded on the trade date (the date the order to buy or sell is executed). Dividends are automatically reinvested in shares of the Funds.

Current accounting standards define fair value as an exit price, which is 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. The fair value standards also establish a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Financial instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

The Company determines the fair value of its investments, in the absence of observable market prices, using the valuation methodologies described below applied on a consistent basis. For some investments, market activity may be minimal or nonexistent and management's determination of fair value is then based on the best information available in the circumstances and may incorporate management's own assumptions, which involves a significant degree of judgment.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories.

Level 1 – Quoted prices are available in active markets for identical financial instruments as of the reporting date. The types of financial instruments included in Level 1 are mutual funds. As required by the fair value measurements guidance, the Company does not adjust the quoted price for these financial instruments, even in situations where it holds a large position and a sale could reasonably impact the quoted price.

Level 2 – Fair values are based on quoted prices for similar assets or liabilities in active and inactive markets. Inactive markets involve few transactions for similar assets or liabilities and the prices are not current or price quotations vary substantially over time or among market makers, which would include some broker quotes. Level 2 inputs also include corroborated market data such as interest rate spreads, yield curves, volatilities, prepayment speeds, credit risks and default rates. The Company does not hold any Level 2 securities in the Separate Account.

Level 3 – Pricing inputs are unobservable for the financial instrument and include situations where there is little, if any, market activity for the financial instrument. These inputs may reflect the



# Midland National Life Insurance Company

## Separate Account A

### Notes to Financial Statements

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Company's estimates of the assumptions that market participants would use in valuing the financial instruments. The Company does not hold any Level 3 securities in the Separate Account.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

At December 31, 2011, the Company's investments were classified as follows:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<b>Assets</b>				
Mutual funds	\$ 439,194,440	\$ -	\$ -	\$ 439,194,440

It is the Company's policy to recognize transfers between levels at the end of the reporting period. There were no transfers between levels for the year ended December 31, 2011.

The first-in, first-out ("FIFO") method is used to determine realized gains and losses on investments. Dividend and capital gain distributions are recorded as income on the ex-dividend date.

#### Federal Income Taxes

The operations of the Separate Account are included in the federal income tax return of the Company. Under the provisions of the policies, the Company has the right to charge the Separate Account for federal income tax attributable to the Separate Account. No charge is currently being made against the Separate Account for such tax since, under current law, the Company pays no tax on investment income and capital gains reflected in variable life policy reserves. However, the Company retains the right to charge for any federal income tax incurred which is attributable to the Separate Account if the law is changed. Charges for state and local taxes, if any, attributable to the Separate Account may also be made.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Subsequent Events

The Company evaluated subsequent events through April 24, 2012, the date the financial statements were available to be issued. There were no subsequent event transactions that required disclosure in the financial statements.

## 2. Expenses and Related Party Transactions

The Company is compensated for certain expenses as described below. The rates of each applicable charge are described in the Separate Account's prospectus.

# Midland National Life Insurance Company

## Separate Account A

### Notes to Financial Statements

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- A contract administration fee is charged to cover the Company's record keeping and other administrative expenses incurred to operate the Separate Account. This fee is allocated to the individual portfolios of the Funds based on the net asset value of the portfolios in proportion to the total net asset value of the Separate Account.
- A mortality and expense risk fee is charged in return for the Company's assumption of risks associated with adverse mortality experience or excess administrative expenses in connection with policies issued. This fee is charged directly to the individual portfolios of the Funds based on the net asset value of the portfolio.
- A transfer charge is imposed on each transfer between portfolios of the Separate Account in excess of a stipulated number of transfers in any one contract year. A deferred sales charge may be imposed in the event of a full or partial withdrawal within the stipulated number of years.
- A sales and premium tax charge is deducted from each premium payment made prior to deposit into the Separate Account. Total deductions from gross contract premiums received by the Company were \$2,865,990 and \$3,283,360 in 2011 and 2010, respectively.

# Midland National Life Insurance Company

## Separate Account A

### Notes to Financial Statements

### 3. Purchases and Sales of Investment Securities

The aggregate cost of purchases and proceeds from sales of investments for the years ended December 31, 2011 and 2010, were as follows:

Portfolio	2011		2010	
	Purchases	Sales	Purchases	Sales
Fidelity Variable Insurance Products				
Fund I				
Money Market Portfolio	\$ 45,310,839	\$ 45,953,826	\$ 14,348,227	\$ 15,243,258
High Income Portfolio	1,931,034	1,575,289	1,688,965	3,608,039
Equity-Income Portfolio	2,557,755	4,253,682	1,778,222	3,653,108
Growth Portfolio	30,355,911	37,656,146	40,206,453	43,163,817
Overseas Portfolio	8,298,842	8,557,209	8,974,744	11,151,743
Mid Cap Portfolio	5,279,115	7,443,358	10,259,146	11,896,275
Freedom Income Portfolio	8,629	63,246	72,061	20,808
Freedom 2010 Portfolio	846	9,249	11,493	51,717
Freedom 2015 Portfolio	16,280	15,837	21,791	442
Freedom 2020 Portfolio	102,740	13,431	44,649	14,658
Freedom 2025 Portfolio	16,336	10,461	21,975	7,463
Freedom 2030 Portfolio	63,914	44,025	31,256	10,681
Fidelity Variable Insurance Products				
Fund II				
Asset Manager Portfolio	1,147,224	1,519,490	1,672,813	2,450,371
Investment Grade Bond Portfolio	2,837,367	2,673,261	4,260,830	4,651,967
Index 500 Portfolio	7,390,590	9,043,697	14,504,946	17,075,453
Contrafund Portfolio	4,611,317	8,502,171	5,356,231	9,237,777
Asset Manager: Growth Portfolio	952,652	1,019,327	1,073,103	1,587,834
Fidelity Variable Insurance Products				
Fund III				
Balanced Portfolio	1,193,510	1,539,346	1,449,326	2,041,409
Growth & Income Portfolio	1,054,137	1,442,562	1,501,054	2,216,601
Growth Opportunities Portfolio	649,913	1,384,224	1,112,413	1,704,426
American Century Variable				
Portfolios, Inc.				
Balanced Fund	570,143	740,006	861,939	1,028,401
Capital Appreciation Fund	9,528,328	12,732,080	18,541,361	16,540,135
International Fund	1,741,419	3,254,912	2,742,934	5,029,353
Value Fund	9,701,042	11,494,624	8,490,511	3,230,133
Income & Growth Fund	341,806	512,598	915,330	1,035,787
MFS Variable Insurance Trust				
Growth Series	2,777,373	2,988,320	5,343,525	8,078,611
Investors Trust Series	441,029	527,549	920,155	1,183,942
New Discovery Series	10,681,120	13,771,930	13,193,563	10,657,624
Research Series	1,065,875	1,325,456	980,314	1,464,054
Total Return Series	132,995	108,288	98,924	31,683
Utilities Series	1,615,437	1,451,327	1,470,033	1,461,646
Lord Abbett Series Fund, Inc.				
Growth and Income Portfolio	2,024,862	2,779,363	2,102,968	2,842,112
Mid-Cap Value Portfolio	2,065,979	3,320,463	1,645,796	3,477,981
International Opportunities Portfolio	1,061,568	1,389,647	1,454,274	1,895,239
Capital Structure Portfolio	22,777	23,898	50,066	65,719
Alger Fund				
Large Cap Growth Portfolio	1,867,787	2,657,206	1,895,020	3,964,501
Mid Cap Growth Portfolio	1,747,572	2,096,507	1,489,781	2,211,150
Capital Appreciation Portfolio	5,718,867	6,263,997	2,823,667	3,484,339
Small Cap Growth Portfolio	587,089	1,154,750	1,398,372	2,103,367
Invesco Variable Insurance Funds				
Dividend Growth Fund	204,973	122,213	304,219	361,258
Global Health Care Fund	503,980	441,365	445,501	385,218
International Growth Fund	1,355,608	1,148,368	1,923,338	1,764,576
Van Eck Worldwide Insurance Trust				
Global Hard Assets Fund	7,007,132	7,006,568	4,949,940	4,943,903

**Midland National Life Insurance Company**  
**Separate Account A**  
**Notes to Financial Statements**

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The aggregate cost of purchases and proceeds (continued)

Portfolio	2011		2010	
	Purchases	Sales	Purchases	Sales
PIMCO Variable Insurance Trust				
Total Return Portfolio	19,871,022	16,326,039	24,335,948	27,038,432
Low Duration Portfolio	120,413	92,932	166,898	173,548
High Yield Portfolio	20,269,977	14,221,339	12,273,152	12,179,238
Real Return Portfolio	2,744,381	2,630,694	2,927,083	2,975,205
Goldman Sachs Variable Insurance Trust				
Structured Small Cap Equity Fund	1,353,833	1,151,028	1,064,533	1,517,676
Large Cap Value Fund	901,863	1,293,451	1,696,722	2,426,600
Neuberger Berman Advisors Management Trust				
Regency Portfolio	209,461	269,565	489,983	420,304
Premier VIT				
NACM Small Cap Portfolio	-	-	47,450	408,942
Profunds VP				
Japan	46,079	63,971	243,013	203,956
Oil & Gas	1,058,249	778,580	1,106,109	1,415,832
Small-Cap	3,885,219	3,955,609	1,693,430	907,054
Ultra Mid-Cap	1,246,980	1,110,695	1,168,135	883,651
Vanguard Variable Insurance Funds				
Balanced	231,141	83,172	146,516	85,405
Total Bond Market Index	484,651	146,132	128,841	85,264
High Yield Bond	195,250	130,780	180,865	171,527
International	3,782,046	1,646,645	5,403,689	2,336,898
Mid-Cap Index	3,821,113	2,435,094	4,443,379	2,053,583
REIT Index	1,238,262	953,803	1,498,185	998,539
Small Company Growth	1,757,027	1,541,428	2,262,837	1,346,662
Short Term Investment Grade	1,976,884	346,146	599,161	447,104
Total Stock Market Index	209,830	108,478	241,587	319,613
	<u>\$241,947,393</u>	<u>\$ 259,316,853</u>	<u>\$ 244,548,745</u>	<u>\$ 265,423,612</u>

# Midland National Life Insurance Company

## Separate Account A

### Notes to Financial Statements

#### 4. Summary of Changes from Unit Transactions

Transactions in units for the years ended December 31, 2011 and 2010, were as follows:

Portfolio	2011			2010		
	Purchases	Sales	Net Increase/ (Decrease)	Purchases	Sales	Net Increase/ (Decrease)
Fidelity Variable Insurance Products						
Fund I						
Money Market Portfolio	3,713,302	3,732,499	(19,197)	1,420,182	1,464,573	(44,391)
High Income Portfolio	122,924	126,107	(3,183)	139,864	298,799	(158,935)
Equity-Income Portfolio	302,333	338,808	(36,475)	222,380	311,263	(88,883)
Growth Portfolio	1,185,202	1,616,256	(431,054)	3,976,593	4,015,309	(38,716)
Overseas Portfolio	810,682	832,975	(22,293)	967,631	1,069,887	(102,256)
Mid Cap Portfolio	504,474	486,421	18,053	798,632	779,972	18,660
Freedom Income Portfolio	859	5,823	(4,964)	6,691	2,201	4,490
Freedom 2010 Portfolio	76	863	(787)	1,357	5,667	(4,310)
Freedom 2015 Portfolio	1,563	1,534	29	2,298	44	2,254
Freedom 2020 Portfolio	10,194	1,378	8,816	5,499	2,284	3,215
Freedom 2025 Portfolio	1,797	1,226	571	3,379	1,733	1,646
Freedom 2030 Portfolio	6,430	4,668	1,762	4,316	2,248	2,068
Fidelity Variable Insurance Products						
Fund II						
Asset Manager Portfolio	65,504	84,988	(19,484)	60,881	86,158	(25,277)
Investment Grade Bond Portfolio	197,521	194,099	3,422	226,540	257,762	(31,222)
Index 500 Portfolio	1,060,844	1,144,286	(83,442)	1,597,609	1,734,052	(136,443)
Contrafund Portfolio	647,258	652,350	(5,092)	790,049	777,851	12,198
Asset Manager: Growth Portfolio	67,227	77,450	(10,223)	74,284	89,525	(15,241)
Fidelity Variable Insurance Products						
Fund III						
Balanced Portfolio	96,895	110,291	(13,396)	75,550	99,142	(23,592)
Growth & Income Portfolio	157,806	168,159	(10,353)	194,225	213,349	(19,124)
Growth Opportunities Portfolio	146,650	210,813	(64,163)	235,628	278,093	(42,465)
American Century Variable						
Portfolios, Inc.						
Balanced Fund	62,690	61,629	1,061	45,675	51,542	(5,867)
Capital Appreciation Fund	598,231	741,823	(143,592)	1,028,160	821,273	206,887
International Fund	340,984	402,475	(61,491)	493,477	585,979	(92,502)
Value Fund	818,588	808,840	9,748	658,228	324,133	334,095
Income & Growth Fund	43,755	53,813	(10,058)	63,427	65,660	(2,233)
MFS Variable Insurance Trust						
Growth Series	488,825	462,535	26,290	795,373	873,695	(78,322)
Investors Trust Series	39,613	50,059	(10,446)	36,662	47,637	(10,975)
New Discovery Series	501,423	620,942	(119,519)	949,749	784,986	164,763
Research Series	128,447	124,281	4,166	102,996	127,804	(24,808)
Total Return Series	13,150	11,492	1,658	17,827	10,669	7,158
Utilities Series	148,832	143,717	5,115	152,134	152,455	(321)
Lord Abbett Series Fund, Inc.						
Growth and Income Portfolio	287,705	252,031	35,674	187,905	205,721	(17,816)
Mid-Cap Value Portfolio	267,028	222,494	44,534	184,340	233,944	(49,604)
International Opportunities Portfolio	100,082	121,133	(21,051)	151,512	180,754	(29,242)
Capital Structure Portfolio	1,676	2,120	(444)	7,301	9,433	(2,132)
Alger Fund						
Large Cap Growth Portfolio	355,321	483,831	(128,510)	382,565	657,170	(274,605)
Mid Cap Growth Portfolio	265,924	265,484	440	197,229	251,542	(54,313)
Capital Appreciation Portfolio	668,092	731,805	(63,713)	398,252	480,204	(81,952)
Small Cap Growth Portfolio	107,559	155,744	(48,185)	105,028	178,098	(73,070)
Invesco Variable Insurance Funds						
Dividend Growth Fund	40,991	26,277	14,714	69,285	79,529	(10,244)
Global Health Care Fund	46,793	39,035	7,758	52,931	45,341	7,590
International Growth Fund	252,846	245,869	6,977	316,787	296,000	20,787
Van Eck Worldwide Insurance Trust						
Global Hard Assets Fund	451,035	350,113	100,922	337,928	233,026	104,902
PIMCO Variable Insurance Trust						
Total Return Portfolio	1,612,151	1,436,890	175,261	2,170,613	2,339,229	(168,616)
Low Duration Portfolio	8,441	8,116	325	10,747	13,724	(2,977)
High Yield Portfolio	1,294,387	955,844	338,543	1,146,540	1,133,975	12,565
Real Return Portfolio	181,376	189,630	(8,254)	131,543	140,115	(8,572)
Goldman Sachs Variable Insurance Trust						
Structured Small Cap Equity Fund	197,981	189,067	8,914	152,723	214,637	(61,914)
Large Cap Value Fund	185,755	241,373	(55,618)	288,857	399,228	(110,371)

# Midland National Life Insurance Company

## Separate Account A

### Notes to Financial Statements

Transactions in units (continued)

Portfolio	2011			2010		
	Purchases	Sales	Net Increase/ (Decrease)	Purchases	Sales	Net Increase/ (Decrease)
Neuberger Berman Advisors Management Trust						
Regency Portfolio	3,124	11,369	(8,245)	24,894	14,292	10,602
Premier VIT						
NACM Small Cap Portfolio	-	-	-	6,620	52,147	(45,527)
Profunds VP						
Japan	9,509	14,273	(4,764)	50,446	44,335	6,111
Oil & Gas	127,856	99,085	28,771	115,625	139,432	(23,807)
Small-Cap	429,129	498,008	(68,879)	164,034	54,395	109,639
Ultra Mid-Cap	206,639	191,254	15,385	238,952	186,357	52,595
Vanguard Variable Insurance Funds						
Balanced	21,522	8,686	12,836	16,087	10,804	5,283
Total Bond Market Index	40,635	13,373	27,262	13,353	10,169	3,184
High Yield Bond	11,695	8,580	3,115	12,898	12,641	257
International	571,870	365,759	206,111	700,355	281,595	418,760
Mid-Cap Index	381,478	270,251	111,227	477,235	177,547	299,688
REIT Index	108,454	86,919	21,535	138,055	74,863	63,192
Small Company Growth	188,785	175,370	13,415	261,835	162,855	98,980
Short Term Investment Grade	247,934	106,030	141,904	71,458	58,901	12,557
Total Stock Market Index	21,080	12,498	8,582	28,650	40,279	(11,629)
	<u>20,978,932</u>	<u>21,050,911</u>	<u>(71,979)</u>	<u>23,759,879</u>	<u>23,748,027</u>	<u>11,852</u>

# Midland National Life Insurance Company

## Separate Account A

### Notes to Financial Statements

#### 5. Financial Highlights

The Company sells a number of variable life insurance products which have unique combinations of features and fees that are charged against the contract owner's account balance. Differences in the fee structures result in a variety of unit values, expense ratios and total returns.

The following table was developed by determining which products offered by the Company have the lowest and highest total return. Only product designs within each portfolio that had units outstanding during the respective periods were considered when determining the lowest and highest total return. The summary may not reflect the minimum and maximum contract charges offered by the Company as contract owners may not have selected all available and applicable contract options.

	December 31		Year Ended December 31			
	Units	Unit Fair Value Lowest to Highest	Net Assets	Investment Income Ratio*	Expense Ratio Lowest to Highest**	Total Return Lowest to Highest***
Net assets represented by						
Fidelity Variable Insurance Products						
Fund I						
Money Market Portfolio						
2011	701,100	\$10.26 to 20.18	\$9,133,394	0.15%	0.50% to 1.40%	-1.28% to 0.11%
2010	720,297	10.25 to 20.39	\$9,776,381	0.23%	0.50% to 1.40%	-1.20% to 0.18%
2009	764,688	10.23 to 20.58	\$10,671,412	0.79%	0.50% to 1.40%	-0.63% to 0.73%
2008	872,271	10.16 to 20.66	\$12,223,756	3.23%	0.50% to 1.40%	1.56% to 2.55%
2007	611,309	10.90 to 20.27	\$8,561,964	4.56%	0.50% to 1.40%	3.81% to 4.66%
High Income Portfolio						
2011	405,152	12.61 to 37.49	\$6,848,110	6.99%	0.50% to 1.40%	3.15% to 4.61%
2010	408,335	12.05 to 36.24	\$6,812,291	8.94%	0.50% to 1.40%	12.25% to 13.82%
2009	567,270	10.59 to 32.19	\$8,222,313	9.08%	0.50% to 1.40%	42.02% to 44.03%
2008	438,603	7.35 to 22.61	\$4,685,116	9.38%	0.50% to 1.40%	-26.05% to -25.40%
2007	447,890	11.14 to 30.48	\$6,608,023	8.43%	0.50% to 1.40%	1.42% to 2.30%
Equity-Income Portfolio						
2011	992,414	8.70 to 55.31	\$16,930,511	2.46%	0.50% to 1.40%	1.16% to 2.59%
2010	1,028,889	8.50 to 54.52	\$18,882,001	1.84%	0.50% to 1.40%	13.56% to 15.15%
2009	1,117,772	7.40 to 47.88	\$18,521,629	2.14%	0.50% to 1.40%	28.39% to 30.16%
2008	1,219,709	6.00 to 37.18	\$16,111,614	2.48%	0.50% to 1.40%	-43.43% to -42.94%
2007	1,281,663	13.54 to 65.55	\$32,008,838	1.83%	0.50% to 1.40%	0.15% to 1.05%
Growth Portfolio						
2011	2,401,083	8.12 to 57.13	\$29,771,838	0.34%	0.50% to 1.40%	0.04% to 1.45%
2010	2,832,137	8.04 to 56.94	\$37,826,693	0.37%	0.50% to 1.40%	22.46% to 24.17%
2009	2,870,853	6.51 to 46.37	\$33,957,851	0.44%	0.50% to 1.40%	26.57% to 28.34%
2008	2,400,150	5.10 to 36.54	\$25,918,250	0.82%	0.50% to 1.40%	-47.94% to -47.42%
2007	2,360,643	9.70 to 69.94	\$55,020,668	0.82%	0.50% to 1.40%	25.26% to 26.30%
Overseas Portfolio						
2011	836,852	6.73 to 28.08	\$9,657,305	1.44%	0.50% to 1.40%	-15.68% to -14.49%
2010	859,145	7.89 to 33.21	\$12,560,848	1.40%	0.50% to 1.40%	11.55% to 13.11%
2009	961,401	7.00 to 29.69	\$13,269,182	2.13%	0.50% to 1.40%	24.81% to 26.48%
2008	930,713	5.75 to 23.72	\$10,762,909	2.71%	0.50% to 1.40%	-44.60% to -44.05%
2007	943,109	13.12 to 42.68	\$20,501,977	3.38%	0.50% to 1.40%	15.75% to 16.73%
Mid Cap Portfolio						
2011	1,097,246	9.83 to 22.00	\$18,737,788	0.25%	0.50% to 1.40%	-10.77% to -9.51%
2010	1,079,193	10.89 to 24.58	\$23,289,689	0.40%	0.50% to 1.40%	27.06% to 28.83%
2009	1,060,533	8.47 to 19.29	\$19,183,312	0.69%	0.50% to 1.40%	38.19% to 40.07%
2008	1,058,412	6.19 to 13.93	\$13,975,665	0.47%	0.50% to 1.40%	-47.94% to -47.42%
2007	1,144,880	17.99 to 23.25	\$25,085,489	0.93%	0.50% to 1.40%	14.08% to 15.00%

# Midland National Life Insurance Company

## Separate Account A

### Notes to Financial Statements

	December 31			Year Ended December 31		
	Units	Unit Fair Value Lowest to Highest	Net Assets	Investment Income Ratio*	Expense Ratio Lowest to Highest**	Total Return Lowest to Highest***
Fidelity Variable Insurance Products						
Fund I (Continued)						
Freedom Income Portfolio						
2011	3,618	10.72 to 11.28	\$39,584	1.04%	0.50% to 1.40%	0.61% to 2.03%
2010	8,582	10.66 to 11.05	\$94,023	3.08%	0.50% to 1.40%	6.01% to 7.49%
2009	4,092	10.06 to 10.28	\$41,480	7.54%	0.50% to 1.40%	13.36% to 14.90%
2008	2,340	8.87 to 8.95	\$20,820	0.00%	0.50% to 1.40%	n/a
Freedom 2010 Portfolio						
2011	61	10.21 to 10.74	\$651	0.29%	0.50% to 1.40%	-0.72% to 0.68%
2010	848	10.29 to 10.67	\$8,850	4.03%	0.50% to 1.40%	11.39% to 12.95%
2009	5,158	9.23 to 9.44	\$48,016	n/a	0.50% to 1.40%	22.48% to 24.27%
2008	-	7.54 to 7.60	\$0	n/a	0.50% to 1.40%	n/a
Freedom 2015 Portfolio						
2011	2,304	10.07 to 10.59	\$23,395	2.13%	0.50% to 1.40%	-0.70% to 0.70%
2010	2,275	10.15 to 10.52	\$23,379	4.09%	0.50% to 1.40%	11.53% to 13.09%
2009	21	9.08 to 9.30	\$192	4.61%	0.50% to 1.40%	23.60% to 25.21%
2008	17	7.36 to 7.43	\$129	7.32%	0.50% to 1.40%	n/a
Freedom 2020 Portfolio						
2011	14,870	9.71 to 10.21	\$146,264	3.11%	0.50% to 1.40%	-1.26% to 0.13%
2010	6,054	9.83 to 10.19	\$60,917	3.91%	0.50% to 1.40%	12.91% to 14.49%
2009	2,839	8.64 to 8.90	\$25,141	5.33%	0.50% to 1.40%	27.28% to 29.03%
2008	494	6.84 to 6.90	\$3,412	6.40%	0.50% to 1.40%	n/a
Freedom 2025 Portfolio						
2011	2,804	9.60 to 10.09	\$27,311	2.32%	0.50% to 1.40%	-2.22% to -0.84%
2010	2,233	9.81 to 10.18	\$22,273	3.56%	0.50% to 1.40%	14.19% to 15.79%
2009	587	8.51 to 8.79	\$5,088	3.92%	0.50% to 1.40%	28.26% to 30.01%
2008	382	6.70 to 6.76	\$2,567	6.76%	0.50% to 1.40%	n/a
Freedom 2030 Portfolio						
2011	14,449	9.19 to 9.66	\$135,254	2.27%	0.50% to 1.40%	-2.57% to -1.19%
2010	12,687	9.39 to 9.78	\$122,196	2.88%	0.50% to 1.40%	14.48% to 16.08%
2009	10,619	8.11 to 8.42	\$88,558	2.79%	0.50% to 1.40%	29.88% to 31.58%
2008	5,638	6.34 to 6.40	\$35,917	6.26%	0.50% to 1.40%	n/a
Fidelity Variable Insurance Products						
Fund II						
Asset Manager Portfolio						
2011	247,588	10.09 to 37.51	\$5,244,325	1.95%	0.50% to 1.40%	-3.01% to -1.64%
2010	267,072	10.26 to 38.56	\$6,070,088	1.77%	0.50% to 1.40%	12.69% to 14.26%
2009	292,349	8.98 to 34.12	\$6,012,210	2.31%	0.50% to 1.40%	27.40% to 29.15%
2008	318,417	6.95 to 26.72	\$5,177,690	2.69%	0.50% to 1.40%	-29.73% to -29.01%
2007	336,568	12.78 to 37.91	\$8,164,214	6.07%	0.50% to 1.40%	13.90% to 14.89%
Investment Grade Bond Portfolio						
2011	640,454	12.78 to 31.39	\$12,455,377	3.29%	0.50% to 1.40%	5.76% to 7.25%
2010	637,032	11.95 to 29.60	\$12,144,534	3.75%	0.50% to 1.40%	6.32% to 7.80%
2009	668,254	11.11 to 27.76	\$12,176,825	8.80%	0.50% to 1.40%	14.18% to 15.73%
2008	672,783	9.61 to 24.26	\$10,967,654	4.32%	0.50% to 1.40%	-4.62% to -3.77%
2007	607,181	11.04 to 25.35	\$10,502,350	4.11%	0.50% to 1.40%	2.89% to 3.85%
Index 500 Portfolio						
2011	3,727,637	9.40 to 32.79	\$46,356,991	1.95%	0.50% to 1.40%	2.17% to 3.62%
2010	3,811,079	9.09 to 32.00	\$49,052,799	2.03%	0.50% to 1.40%	13.44% to 15.02%
2009	3,947,522	7.93 to 28.13	\$46,832,407	2.44%	0.50% to 1.40%	24.80% to 26.64%
2008	3,798,556	6.58 to 22.47	\$39,209,782	2.27%	0.50% to 1.40%	-37.84% to -37.34%
2007	3,626,120	10.82 to 36.06	\$64,296,635	3.66%	0.50% to 1.40%	3.83% to 4.95%
Contrafund Portfolio						
2011	2,282,724	9.03 to 37.03	\$36,666,399	1.00%	0.50% to 1.40%	-2.46% to -1.09%
2010	2,287,816	9.15 to 37.85	\$41,857,031	1.29%	0.50% to 1.40%	15.60% to 17.22%
2009	2,275,618	7.83 to 32.65	\$39,962,919	1.34%	0.50% to 1.40%	33.87% to 35.68%
2008	2,208,028	6.08 to 24.33	\$32,023,672	1.01%	0.50% to 1.40%	-43.34% to -42.80%
2007	2,151,568	16.26 to 42.79	\$59,938,983	0.96%	0.50% to 1.40%	16.03% to 16.98%
Asset Manager: Growth Portfolio						
2011	260,639	9.19 to 21.84	\$3,172,814	1.68%	0.50% to 1.40%	-6.30% to -4.98%
2010	270,862	9.67 to 23.24	\$3,689,322	1.24%	0.50% to 1.40%	14.74% to 16.34%
2009	286,103	8.31 to 20.20	\$3,544,365	1.50%	0.50% to 1.40%	31.05% to 32.98%
2008	302,654	6.25 to 15.37	\$2,993,258	1.98%	0.50% to 1.40%	-36.69% to -36.15%
2007	308,124	11.37 to 24.21	\$5,291,927	4.22%	0.50% to 1.40%	16.12% to 18.31%



# Midland National Life Insurance Company

## Separate Account A

### Notes to Financial Statements

	December 31			Year Ended December 31		
	Units	Unit Fair Value Lowest to Highest	Net Assets	Investment Income Ratio*	Expense Ratio Lowest to Highest**	Total Return Lowest to Highest***
Fidelity Variable Insurance Products						
Fund III						
Balanced Portfolio						
2011	259,218	10.48 to 17.58	\$3,679,148	1.64%	0.50% to 1.40%	-3.53% to -2.16%
2010	272,614	10.74 to 18.17	\$4,408,027	1.85%	0.50% to 1.40%	16.44% to 18.07%
2009	296,206	9.12 to 15.56	\$4,224,742	1.87%	0.50% to 1.40%	36.73% to 38.63%
2008	299,149	6.69 to 11.35	\$3,200,918	1.85%	0.50% to 1.40%	-34.90% to -34.29%
2007	299,672	12.95 to 17.38	\$5,041,173	3.38%	0.50% to 1.40%	7.56% to 8.46%
Growth & Income Portfolio						
2011	573,137	8.78 to 17.35	\$6,860,702	1.78%	0.50% to 1.40%	2.02% to 3.46%
2010	583,490	8.51 to 16.96	\$7,268,300	0.73%	0.50% to 1.40%	13.29% to 14.87%
2009	602,614	7.42 to 14.93	\$7,092,988	1.07%	0.50% to 1.40%	25.39% to 27.30%
2008	577,902	6.14 to 11.87	\$5,926,268	1.23%	0.50% to 1.40%	-42.46% to -41.98%
2007	581,880	12.60 to 20.58	\$11,350,680	1.88%	0.50% to 1.40%	10.58% to 11.50%
Growth Opportunities Portfolio						
2011	705,959	8.48 to 12.59	\$6,310,384	0.16%	0.50% to 1.40%	2.25% to 3.69%
2010	770,122	8.20 to 12.27	\$6,883,229	0.23%	0.50% to 1.40%	22.03% to 23.74%
2009	812,587	6.64 to 10.03	\$6,139,897	0.47%	0.50% to 1.40%	43.94% to 45.74%
2008	771,805	4.70 to 6.95	\$4,465,907	0.43%	0.50% to 1.40%	-55.68% to -55.20%
2007	736,093	10.49 to 15.63	\$10,781,475	0.00%	0.50% to 1.40%	21.18% to 22.55%
American Century Variable						
Portfolios, Inc.						
Balanced Fund						
2011	167,671	10.84 to 18.34	\$2,541,169	1.91%	0.50% to 1.40%	4.66% to 5.87%
2010	166,610	10.23 to 17.43	\$2,625,017	1.82%	0.50% to 1.40%	10.10% to 11.36%
2009	172,477	9.19 to 15.76	\$2,560,358	5.19%	0.50% to 1.40%	13.86% to 15.42%
2008	199,113	8.09 to 13.80	\$2,644,260	2.64%	0.50% to 1.40%	-21.39% to -20.68%
2007	211,556	12.48 to 17.52	\$3,636,481	2.12%	0.50% to 1.40%	3.48% to 4.37%
Capital Appreciation Fund						
2011	394,175	9.29 to 23.96	\$5,713,175	0.00%	0.50% to 1.40%	-6.90% to -5.59%
2010	537,767	9.86 to 25.66	\$10,155,713	0.00%	0.50% to 1.40%	29.48% to 31.29%
2009	330,880	7.53 to 19.76	\$5,417,524	0.80%	0.50% to 1.40%	35.13% to 37.13%
2008	337,485	5.71 to 14.58	\$4,287,827	0.00%	0.50% to 1.40%	-46.91% to -46.17%
2007	353,644	16.05 to 27.39	\$8,669,898	0.00%	0.50% to 1.40%	43.74% to 44.99%
International Fund						
2011	1,150,791	7.37 to 15.46	\$12,200,488	1.46%	0.50% to 1.40%	-11.05% to -9.79%
2010	1,212,282	8.19 to 17.33	\$15,560,307	2.58%	0.50% to 1.40%	11.73% to 13.29%
2009	1,304,784	7.25 to 15.47	\$16,433,805	1.93%	0.50% to 1.40%	31.92% to 33.66%
2008	1,295,590	5.53 to 11.69	\$13,140,038	0.85%	0.50% to 1.40%	-45.60% to -45.08%
2007	1,353,156	10.78 to 21.43	\$26,670,007	0.65%	0.50% to 1.40%	16.45% to 17.43%
Value Fund						
2011	1,361,084	9.95 to 22.66	\$23,843,287	1.74%	0.50% to 1.40%	1.15% to 2.58%
2010	1,351,336	9.72 to 22.34	\$25,846,393	2.21%	0.50% to 1.40%	11.86% to 13.42%
2009	1,017,241	8.59 to 19.92	\$18,477,916	5.26%	0.50% to 1.40%	18.17% to 19.80%
2008	1,002,237	7.54 to 16.80	\$15,683,190	2.44%	0.50% to 1.40%	-27.74% to -27.13%
2007	977,442	12.33 to 23.20	\$21,332,296	1.59%	0.50% to 1.40%	-6.45% to -5.61%
Income & Growth Fund						
2011	169,860	9.11 to 13.68	\$1,843,450	1.56%	0.50% to 1.40%	3.17% to 4.36%
2010	179,918	8.73 to 13.19	\$1,982,303	1.49%	0.50% to 1.40%	12.57% to 13.86%
2009	182,151	7.67 to 11.66	\$1,884,723	4.47%	0.50% to 1.40%	16.42% to 18.03%
2008	181,676	6.88 to 9.96	\$1,767,576	2.08%	0.50% to 1.40%	-35.45% to -34.89%
2007	200,375	11.35 to 15.37	\$3,033,407	1.85%	0.50% to 1.40%	-1.45% to -0.61%
MFS Variable Insurance Trust						
Growth Series						
2011	1,288,951	7.03 to 14.78	\$12,284,658	0.20%	0.50% to 1.40%	-0.35% to 1.06%
2010	1,262,661	6.99 to 14.76	\$12,579,470	0.11%	0.50% to 1.40%	13.75% to 15.34%
2009	1,340,983	6.10 to 12.91	\$13,641,268	0.23%	0.50% to 1.40%	35.76% to 37.71%
2008	893,304	4.45 to 9.46	\$7,525,964	0.24%	0.50% to 1.40%	-38.29% to -37.76%
2007	924,603	7.15 to 15.26	\$13,216,107	0.00%	0.50% to 1.40%	19.54% to 20.57%

# Midland National Life Insurance Company

## Separate Account A

### Notes to Financial Statements

	December 31		Year Ended December 31			
	Units	Unit Fair Value Lowest to Highest	Net Assets	Investment Income Ratio*	Expense Ratio Lowest to Highest**	Total Return Lowest to Highest***
MFS Variable Insurance Trust (Continued)						
Investors Trust Series						
2011	114,052	9.27 to 12.64	\$1,194,365	0.96%	0.50% to 1.40%	-1.85% to -0.72%
2010	124,498	9.34 to 12.88	\$1,421,881	1.33%	0.50% to 1.40%	9.56% to 10.82%
2009	135,473	8.43 to 11.75	\$1,461,656	1.59%	0.50% to 1.40%	25.16% to 26.96%
2008	136,107	6.79 to 9.39	\$1,223,835	0.86%	0.50% to 1.40%	-34.01% to -33.39%
2007	145,254	11.59 to 14.23	\$1,980,718	0.84%	0.50% to 1.40%	8.79% to 9.75%
New Discovery Series						
2011	370,234	12.18 to 27.08	\$6,108,354	0.00%	0.50% to 1.40%	-10.40% to -9.14%
2010	489,753	13.44 to 30.07	\$10,670,420	0.00%	0.50% to 1.40%	34.46% to 36.34%
2009	324,990	9.88 to 22.25	\$5,873,746	0.00%	0.50% to 1.40%	60.90% to 63.13%
2008	428,452	6.19 to 13.76	\$5,411,177	0.00%	0.50% to 1.40%	-40.18% to -39.66%
2007	315,893	10.64 to 22.88	\$6,841,325	0.00%	0.50% to 1.40%	1.14% to 2.01%
Research Series						
2011	305,358	9.69 to 14.02	\$3,318,049	0.88%	0.50% to 1.40%	-0.37% to 1.03%
2010	301,192	9.62 to 14.00	\$3,623,945	0.94%	0.50% to 1.40%	14.30% to 15.90%
2009	326,000	8.32 to 12.19	\$3,637,241	1.37%	0.50% to 1.40%	28.73% to 30.51%
2008	351,987	6.57 to 9.42	\$3,229,160	0.54%	0.50% to 1.40%	-36.97% to -36.39%
2007	392,975	10.58 to 14.87	\$5,759,688	0.70%	0.50% to 1.40%	11.62% to 12.67%
Total Return Series						
2011	21,083	9.50 to 10.58	\$208,576	2.70%	0.50% to 1.40%	1.33% to 2.76%
2010	19,425	9.37 to 10.30	\$185,995	3.49%	0.50% to 1.40%	8.41% to 9.93%
2009	12,267	8.65 to 9.37	\$107,239	4.10%	0.50% to 1.40%	16.39% to 17.97%
2008	7,283	7.43 to 7.94	\$54,520	1.85%	0.50% to 1.40%	-23.16% to -22.53%
2007	614	9.67 to 9.72	\$5,959	0.00%	0.50% to 1.40%	-3.30% to -2.80%
Utilities Series						
2011	295,813	9.95 to 10.50	\$3,032,912	3.17%	0.50% to 1.40%	5.78% to 7.28%
2010	290,698	9.27 to 9.84	\$2,822,225	4.04%	0.50% to 1.40%	12.24% to 13.81%
2009	291,019	8.15 to 8.69	\$2,504,063	4.46%	0.50% to 1.40%	31.46% to 33.14%
2008	183,344	6.12 to 6.55	\$1,194,358	1.55%	0.50% to 1.40%	-38.59% to -38.03%
2007	62,536	10.52 to 10.57	\$659,438	0.00%	0.50% to 1.40%	5.20% to 5.70%
Lord Abbett Series Fund, Inc.						
Growth and Income Portfolio						
2011	688,183	8.39 to 16.60	\$8,712,909	0.72%	0.50% to 1.40%	-5.34% to -4.00%
2010	652,509	8.76 to 17.45	\$10,117,340	0.56%	0.50% to 1.40%	15.79% to 17.41%
2009	670,325	7.48 to 15.00	\$9,374,073	0.95%	0.50% to 1.40%	17.29% to 18.98%
2008	692,892	6.74 to 12.73	\$8,396,938	1.51%	0.50% to 1.40%	-37.32% to -36.77%
2007	728,419	13.29 to 20.20	\$14,240,492	1.25%	0.50% to 1.40%	2.00% to 2.95%
Mid-Cap Value Portfolio						
2011	606,339	9.28 to 24.87	\$11,229,318	0.21%	0.50% to 1.40%	-3.74% to -2.38%
2010	561,805	9.53 to 25.60	\$12,942,412	0.39%	0.50% to 1.40%	23.70% to 25.43%
2009	611,409	7.62 to 20.52	\$12,081,813	0.46%	0.50% to 1.40%	24.88% to 26.71%
2008	675,933	6.42 to 16.28	\$10,682,778	1.27%	0.50% to 1.40%	-40.22% to -39.68%
2007	747,403	13.60 to 26.99	\$19,623,648	0.47%	0.50% to 1.40%	-0.79% to 0.07%
International Opportunities Portfolio						
2011	458,721	7.33 to 12.70	\$4,534,768	0.98%	0.50% to 1.40%	-14.50% to -13.29%
2010	479,772	8.47 to 14.86	\$5,778,833	0.89%	0.50% to 1.40%	19.55% to 21.22%
2009	509,014	7.01 to 12.43	\$5,208,258	1.55%	0.50% to 1.40%	44.85% to 47.01%
2008	510,049	5.21 to 8.58	\$3,617,364	0.57%	0.50% to 1.40%	-52.17% to -51.74%
2007	561,603	12.06 to 17.94	\$8,381,975	0.92%	0.50% to 1.40%	3.14% to 4.15%
Capital Structure Portfolio						
2011	11,917	9.46 to 10.93	\$115,608	2.78%	0.50% to 1.40%	0.16% to 1.58%
2010	12,361	9.45 to 10.76	\$120,003	3.32%	0.50% to 1.40%	13.18% to 14.77%
2009	14,493	8.35 to 9.37	\$122,203	3.90%	0.50% to 1.40%	21.70% to 23.36%
2008	10,780	6.86 to 7.60	\$74,280	6.26%	0.50% to 1.40%	-27.18% to -26.61%
2007	4,399	9.42 to 9.47	\$41,530	5.65%	0.50% to 1.40%	-5.80% to -5.30%

# Midland National Life Insurance Company

## Separate Account A

### Notes to Financial Statements

	December 31			Year Ended December 31		
	Units	Unit Fair Value Lowest to Highest	Net Assets	Investment Income Ratio*	Expense Ratio Lowest to Highest**	Total Return Lowest to Highest***
<b>Alger Fund</b>						
<b>Large Cap Growth Portfolio</b>						
2011	1,110,636	8.03 to 12.53	\$9,067,565	1.01%	0.50% to 1.40%	0.34% to 1.76%
2010	1,239,146	7.96 to 12.49	\$10,117,273	0.91%	0.50% to 1.40%	11.82% to 13.39%
2009	1,513,751	7.09 to 11.17	\$10,963,637	0.65%	0.50% to 1.40%	45.58% to 47.61%
2008	1,557,697	4.85 to 7.67	\$7,741,324	0.23%	0.50% to 1.40%	-46.92% to -46.42%
2007	1,585,231	9.08 to 14.45	\$14,673,255	0.34%	0.50% to 1.40%	18.35% to 19.41%
<b>Mid Cap Growth Portfolio</b>						
2011	670,689	7.19 to 11.35	\$5,991,591	0.34%	0.50% to 1.40%	-7.92% to -6.62%
2010	670,249	7.72 to 12.33	\$6,914,381	0.00%	0.50% to 1.40%	17.74% to 19.38%
2009	724,562	6.48 to 10.47	\$6,479,792	0.00%	0.50% to 1.40%	49.57% to 51.74%
2008	782,137	4.73 to 7.00	\$4,679,573	0.17%	0.50% to 1.40%	-58.92% to -58.59%
2007	789,015	14.31 to 17.04	\$11,389,000	0.00%	0.50% to 1.40%	29.78% to 30.82%
<b>Capital Appreciation Portfolio</b>						
2011	813,272	9.63 to 17.04	\$7,855,345	0.15%	0.50% to 1.40%	-0.08% to 1.33%
2010	876,985	9.54 to 17.05	\$8,539,862	0.44%	0.50% to 1.40%	12.45% to 14.03%
2009	958,937	8.39 to 15.16	\$8,265,722	0.00%	0.50% to 1.40%	48.95% to 51.01%
2008	1,042,714	5.67 to 10.18	\$5,996,510	0.00%	0.50% to 1.40%	-45.88% to -45.39%
2007	1,126,168	10.42 to 18.81	\$11,917,522	0.00%	0.50% to 1.40%	31.07% to 32.96%
<b>Small Cap Growth Portfolio</b>						
2011	596,913	9.52 to 15.73	\$5,861,398	0.00%	0.50% to 1.40%	-3.67% to -2.55%
2010	645,098	9.77 to 16.33	\$6,603,653	0.00%	0.50% to 1.40%	23.57% to 24.98%
2009	718,168	7.82 to 13.21	\$5,934,640	0.00%	0.50% to 1.40%	43.46% to 45.54%
2008	771,360	5.61 to 9.21	\$4,438,741	0.00%	0.50% to 1.40%	-47.34% to -46.89%
2007	886,475	10.61 to 17.49	\$9,606,349	0.00%	0.50% to 1.40%	14.95% to 16.67%
<b>Invesco Variable Insurance Funds</b>						
<b>Dividend Growth Fund</b>						
2011	122,080	5.29 to 6.46	\$711,289	0.20%	0.50% to 1.40%	-2.29% to -0.91%
2010	107,366	5.41 to 6.51	\$646,910	0.14%	0.50% to 1.40%	8.79% to 10.32%
2009	117,610	4.95 to 5.91	\$647,049	3.47%	0.50% to 1.40%	25.56% to 27.55%
2008	112,331	3.96 to 4.63	\$323,569	2.84%	0.50% to 1.40%	-59.96% to -59.66%
2007	125,008	9.89 to 11.08	\$1,352,748	1.88%	0.50% to 1.40%	-23.33% to -22.63%
<b>Global Health Care Fund</b>						
2011	110,823	7.25 to 13.89	\$1,389,446	0.00%	0.50% to 1.40%	4.39% to 5.86%
2010	103,065	6.87 to 13.19	\$1,288,385	0.00%	0.50% to 1.40%	3.84% to 5.29%
2009	95,475	6.54 to 12.59	\$1,164,469	0.32%	0.50% to 1.40%	19.69% to 27.68%
2008	115,741	7.67 to 9.91	\$1,125,638	0.00%	0.50% to 1.40%	-29.61% to -28.96%
2007	129,368	12.46 to 13.95	\$1,770,058	0.00%	0.50% to 1.40%	6.14% to 11.24%
<b>International Growth Fund</b>						
2011	562,927	8.28 to 9.03	\$4,711,721	1.60%	0.50% to 1.40%	-5.70% to -4.37%
2010	555,950	8.78 to 9.44	\$5,011,954	2.77%	0.50% to 1.40%	11.31% to 12.86%
2009	535,163	7.89 to 8.37	\$4,296,126	1.60%	0.50% to 1.40%	33.47% to 35.16%
2008	455,018	5.91 to 6.19	\$2,711,172	0.81%	0.50% to 1.40%	-48.35% to -48.32%
2007	231,201	10.06 to 10.11	\$2,333,557	0.68%	0.50% to 1.40%	0.60% to 1.10%
<b>Van Eck Worldwide Insurance Trust</b>						
<b>Global Hard Assets Fund</b>						
2011	672,311	7.88 to 38.53	\$14,448,645	1.25%	0.50% to 1.40%	-14.40% to -13.19%
2010	571,389	9.08 to 44.61	\$18,167,360	0.39%	0.50% to 1.40%	27.45% to 29.23%
2009	466,487	7.02 to 34.69	\$13,809,699	0.23%	0.50% to 1.40%	55.35% to 57.50%
2008	353,372	4.46 to 22.13	\$7,541,921	0.34%	0.50% to 1.40%	-46.86% to -46.40%
2007	354,287	32.82 to 41.29	\$14,276,656	0.10%	0.50% to 1.40%	42.40% to 44.62%
<b>Worldwide Real Estate Fund</b>						
2009	-	6.06 to 7.40	\$0	0.00%	0.50% to 1.40%	41.35% to 43.32%
2008	170,826	4.71 to 5.19	\$883,177	5.81%	0.50% to 1.40%	-55.68% to -55.30%
2007	174,236	11.44 to 11.61	\$2,013,027	0.98%	0.50% to 1.40%	-0.52% to 0.35%
<b>PIMCO Variable Insurance Trust</b>						
<b>Total Return Portfolio</b>						
2011	1,977,039	12.93 to 15.85	\$29,534,163	2.75%	0.50% to 1.40%	2.08% to 3.52%
2010	1,801,778	12.49 to 15.39	\$26,443,080	2.78%	0.50% to 1.40%	6.61% to 8.10%
2009	1,970,394	11.56 to 14.31	\$27,862,716	4.83%	0.50% to 1.40%	12.46% to 14.08%
2008	1,819,366	10.13 to 12.61	\$22,479,921	4.98%	0.50% to 1.40%	3.39% to 4.30%
2007	1,207,033	11.50 to 12.09	\$14,304,515	4.70%	0.50% to 1.40%	7.28% to 8.24%

# Midland National Life Insurance Company

## Separate Account A

### Notes to Financial Statements

	December 31			Year Ended December 31		
	Units	Unit Fair Value Lowest to Highest	Net Assets	Investment Income Ratio*	Expense Ratio Lowest to Highest**	Total Return Lowest to Highest***
PIMCO Variable Insurance Trust (Continued)						
Low Duration Portfolio						
2011	166,570	11.94 to 13.30	\$2,179,575	1.68%	0.50% to 1.40%	-0.29% to 0.86%
2010	166,245	11.84 to 13.22	\$2,163,896	1.73%	0.50% to 1.40%	3.83% to 5.03%
2009	169,222	11.10 to 12.62	\$2,102,392	3.50%	0.50% to 1.40%	11.74% to 13.35%
2008	165,525	9.79 to 11.19	\$1,838,160	4.27%	0.50% to 1.40%	-1.75% to -0.89%
2007	158,305	10.71 to 11.29	\$1,774,207	4.52%	0.50% to 1.40%	2.88% to 6.91%
High Yield Portfolio						
2011	515,682	12.56 to 17.28	\$8,225,521	5.82%	0.50% to 1.40%	2.46% to 3.91%
2010	177,139	12.09 to 16.72	\$2,773,483	18.01%	0.50% to 1.40%	12.88% to 14.46%
2009	164,574	10.56 to 14.68	\$2,388,610	12.72%	0.50% to 1.40%	38.48% to 40.41%
2008	125,391	7.52 to 10.51	\$1,292,791	8.29%	0.50% to 1.40%	-24.61% to -23.90%
2007	134,868	12.23 to 13.81	\$1,829,459	7.45%	0.50% to 1.40%	1.47% to 2.57%
Real Return Portfolio						
2011	393,050	12.69 to 16.64	\$6,328,227	2.06%	0.50% to 1.40%	9.87% to 11.42%
2010	401,304	11.39 to 15.01	\$5,873,537	1.62%	0.50% to 1.40%	6.61% to 8.10%
2009	409,876	10.53 to 13.95	\$5,612,147	3.06%	0.50% to 1.40%	16.75% to 18.36%
2008	386,417	8.90 to 11.84	\$4,495,899	4.03%	0.50% to 1.40%	-8.30% to -7.57%
2007	324,306	11.69 to 12.81	\$4,087,737	4.55%	0.50% to 1.40%	9.15% to 11.10%
Stocks Plus Growth and Income						
2009	-	5.71 to 6.00	\$0	0.00%	0.50% to 1.40%	-1.34% to 1.11%
2008	-	5.93 to 5.98	\$1,626	0.00%	0.50% to 1.40%	n/a
SmallCap Stocks Plus Total Return						
2009	2,158	8.94 to 9.14	\$0	19.40%	0.50% to 1.40%	30.35% to 31.94%
2008	1,642	6.87 to 6.93	\$11,320	4.33%	0.50% to 1.40%	n/a
Goldman Sachs Variable Insurance Trust						
Structured Small Cap Equity Fund						
2011	321,699	8.64 to 11.76	\$2,888,421	0.86%	0.50% to 1.40%	0.75% to 2.18%
2010	312,785	8.57 to 11.51	\$2,766,214	0.60%	0.50% to 1.40%	28.32% to 30.12%
2009	374,699	6.68 to 8.84	\$2,556,517	1.20%	0.50% to 1.40%	25.81% to 27.63%
2008	339,271	5.31 to 6.93	\$1,825,680	0.76%	0.50% to 1.40%	-34.85% to -34.42%
2007	308,589	8.15 to 8.28	\$2,537,465	16.64%	0.50% to 1.40%	-17.68% to -16.89%
Large Cap Value Fund						
2011	420,869	7.13 to 8.19	\$3,087,201	1.19%	0.50% to 1.40%	-6.49% to -5.17%
2010	476,487	7.63 to 8.64	\$3,764,457	0.89%	0.50% to 1.40%	9.66% to 11.20%
2009	586,858	6.95 to 7.77	\$4,169,697	1.91%	0.50% to 1.40%	16.68% to 18.38%
2008	458,759	5.96 to 6.56	\$2,757,610	3.25%	0.50% to 1.40%	-35.43% to -34.84%
2007	192,047	9.23 to 9.27	\$1,777,607	22.11%	0.50% to 1.40%	-7.70% to -7.30%
Neuberger Berman Advisors Management Trust						
Regency Portfolio						
2011	13,689	9.19 to 9.78	\$129,392	0.55%	0.50% to 1.40%	-6.70% to -5.38%
2010	21,934	9.85 to 10.39	\$223,342	0.61%	0.50% to 1.40%	24.44% to 26.18%
2009	11,332	7.91 to 8.27	\$92,288	0.62%	0.50% to 1.40%	44.64% to 46.51%
2008	46,000	5.41 to 5.67	\$258,257	1.24%	0.50% to 1.40%	-46.58% to -46.15%
2007	50,874	10.24 to 10.53	\$531,953	4.32%	0.50% to 1.40%	0.69% to 2.83%
Premier VIT						
NACM Small Cap Portfolio						
2010	-	-	\$0	0.21%	0.50% to 1.40%	13.04% to 13.49%
2009	45,527	6.78 to 7.08	\$314,436	0.06%	0.50% to 1.40%	13.97% to 15.55%
2008	54,979	5.95 to 6.13	\$332,420	0.00%	0.50% to 1.40%	-42.46% to -41.94%
2007	37,077	10.34 to 10.49	\$385,849	0.00%	0.50% to 1.40%	-0.67% to 0.19%
Profunds VP						
Japan						
2011	11,117	4.00 to 5.44	\$46,026	0.00%	0.50% to 1.40%	-18.36% to -17.20%
2010	15,881	4.90 to 6.57	\$80,823	0.00%	0.50% to 1.40%	-7.82% to -6.53%
2009	9,770	5.31 to 7.03	\$52,902	0.72%	0.50% to 1.40%	8.84% to 10.41%
2008	12,576	4.88 to 6.37	\$61,897	17.00%	0.50% to 1.40%	-41.70% to -41.14%
2007	8,415	8.37 to 8.41	\$70,629	0.00%	0.50% to 1.40%	-16.30% to -15.90%

# Midland National Life Insurance Company

## Separate Account A

### Notes to Financial Statements

	December 31			Year Ended December 31		
	Units	Unit Fair Value Lowest to Highest	Net Assets	Investment Income Ratio*	Expense Ratio Lowest to Highest**	Total Return Lowest to Highest***
Profunds VP (Continued)						
Oil & Gas						
2011	192,424	7.24 to 9.67	\$1,698,396	0.14%	0.50% to 1.40%	3.50% to 4.96%
2010	163,653	6.90 to 9.26	\$1,441,372	0.50%	0.50% to 1.40%	16.14% to 17.76%
2009	187,460	5.86 to 7.90	\$1,532,031	0.00%	0.50% to 1.40%	2.11% to 14.87%
2008	138,261	5.74 to 6.88	\$943,914	0.00%	0.50% to 1.40%	-37.86% to -37.23%
2007	32,711	10.91 to 10.96	\$357,927	0.00%	0.50% to 1.40%	9.10% to 9.60%
Small-Cap						
2011	70,643	8.04 to 10.22	\$629,555	0.00%	0.50% to 1.40%	-3.38% to -2.01%
2010	139,522	8.32 to 10.43	\$1,243,578	0.05%	0.50% to 1.40%	20.42% to 22.10%
2009	29,883	6.91 to 8.54	\$221,592	0.24%	0.50% to 1.40%	18.76% to 20.48%
2008	27,115	5.82 to 7.09	\$158,936	0.00%	0.50% to 1.40%	-31.69% to -31.07%
2007	6,275	8.52 to 8.56	\$53,582	0.00%	0.50% to 1.40%	-14.80% to -14.40%
Ultra Mid-Cap						
2011	106,135	5.65 to 7.13	\$628,858	0.00%	0.50% to 1.40%	-13.16% to -11.94%
2010	90,750	6.51 to 8.10	\$618,076	0.00%	0.50% to 1.40%	47.61% to 49.67%
2009	38,155	4.41 to 5.41	\$172,244	0.06%	0.50% to 1.40%	63.23% to 66.03%
2008	26,469	2.70 to 3.26	\$71,736	1.59%	0.50% to 1.40%	-67.86% to -67.69%
2007	14,937	8.40 to 8.45	\$125,780	0.00%	0.50% to 1.40%	-16.00% to -15.50%
Vanguard Variable Insurance Funds						
Balanced						
2011	61,411	10.56 to 11.11	\$660,479	2.61%	0.50% to 1.40%	3.50% to 4.96%
2010	48,575	10.20 to 10.58	\$506,439	3.84%	0.50% to 1.40%	9.48% to 11.02%
2009	43,292	9.32 to 9.53	\$408,802	4.08%	0.50% to 1.40%	21.19% to 22.97%
2008	28,195	7.69 to 7.75	\$217,908	0.00%	0.50% to 1.40%	n/a
Total Bond Market Index						
2011	43,915	11.93 to 12.62	\$541,451	2.12%	0.50% to 1.40%	5.98% to 7.48%
2010	16,653	11.26 to 11.77	\$192,136	1.91%	0.50% to 1.40%	5.03% to 6.50%
2009	13,469	10.72 to 11.08	\$145,893	6.65%	0.50% to 1.40%	4.48% to 5.91%
2008	38,982	10.26 to 10.35	\$402,638	0.00%	0.50% to 1.40%	n/a
High Yield Bond						
2011	25,534	12.20 to 12.96	\$319,854	6.71%	0.50% to 1.40%	5.85% to 7.35%
2010	22,419	11.52 to 12.10	\$263,774	10.08%	0.50% to 1.40%	10.56% to 12.10%
2009	22,162	10.42 to 10.82	\$233,944	7.31%	0.50% to 1.40%	36.94% to 38.76%
2008	1,345	7.61 to 7.68	\$10,268	0.00%	0.50% to 1.40%	n/a
International						
2011	1,053,522	7.76 to 8.16	\$8,146,570	1.61%	0.50% to 1.40%	-11.95% to -10.71%
2010	847,411	8.82 to 9.14	\$7,609,345	1.36%	0.50% to 1.40%	14.13% to 15.72%
2009	428,651	7.72 to 7.90	\$3,339,477	3.05%	0.50% to 1.40%	40.69% to 42.84%
2008	227,755	5.49 to 5.53	\$1,252,399	0.00%	0.50% to 1.40%	n/a
Mid-Cap Index						
2011	647,787	9.77 to 10.28	\$6,443,284	0.98%	0.50% to 1.40%	-2.33% to -0.95%
2010	536,560	10.00 to 10.37	\$5,470,921	0.73%	0.50% to 1.40%	23.64% to 25.37%
2009	236,872	8.09 to 8.28	\$1,933,730	1.42%	0.50% to 1.40%	38.32% to 40.26%
2008	134,238	5.85 to 5.90	\$786,714	0.00%	0.50% to 1.40%	n/a
REIT Index						
2011	140,232	10.13 to 10.75	\$1,445,112	1.61%	0.50% to 1.40%	7.81% to 9.33%
2010	118,697	9.40 to 9.86	\$1,135,310	3.18%	0.50% to 1.40%	26.48% to 28.25%
2009	55,505	7.43 to 7.71	\$416,328	2.73%	0.50% to 1.40%	27.46% to 29.25%
2008	19,702	5.83 to 5.88	\$115,341	0.00%	0.50% to 1.40%	n/a
Small Company Growth						
2011	348,497	11.32 to 12.62	\$4,234,844	0.20%	0.50% to 1.40%	1.01% to 2.44%
2010	335,082	11.08 to 12.32	\$4,044,446	0.35%	0.50% to 1.40%	29.97% to 31.79%
2009	236,102	8.43 to 9.35	\$2,176,091	0.90%	0.50% to 1.40%	37.47% to 39.33%
2008	142,004	6.65 to 6.71	\$946,871	0.00%	0.50% to 1.40%	n/a
Short Term Investment Grade						
2011	216,845	11.08 to 11.65	\$2,457,729	1.64%	0.50% to 1.40%	0.50% to 1.92%
2010	74,941	11.02 to 11.46	\$842,532	4.62%	0.50% to 1.40%	3.77% to 5.22%
2009	62,384	10.62 to 10.92	\$670,277	3.61%	0.50% to 1.40%	12.28% to 13.86%
2008	994	9.46 to 9.54	\$9,432	0.00%	0.50% to 1.40%	n/a
Total Stock Market Index						
2011	46,941	9.53 to 10.02	\$454,151	1.31%	0.50% to 1.40%	0.94% to 2.37%
2010	38,359	9.34 to 9.79	\$368,603	3.49%	0.50% to 1.40%	15.49% to 17.11%
2009	49,988	7.99 to 8.36	\$412,374	10.76%	0.50% to 1.40%	26.55% to 28.22%
2008	12,115	6.46 to 6.52	\$78,662	0.00%	0.50% to 1.40%	n/a

# Midland National Life Insurance Company

## Separate Account A

### Notes to Financial Statements

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- \* The Investment Income Ratio represents the dividends, excluding distributions of capital gains, received by the portfolio, net of management fees assessed by the fund manager, divided by the average net assets. This ratio excludes those expenses, such as mortality and expense charges, that result in direct reductions in the unit values. The recognition of investment income is affected by the timing of the declaration of dividends.
- \*\* The Expense Ratio represents the annualized contract expenses of each portfolio within the Separate Account, consisting primarily of mortality and expense charges, for each period indicated. The ratios include only those expenses that result in a direct reduction to unit values. Charges made directly to contract owner accounts through the redemption of units and expenses of the underlying fund are excluded.
- \*\*\* The Total Return is calculated as the change in the unit value of the underlying portfolio, and reflects deductions for all items included in the expense ratio. The total return does not include any expenses assessed through the redemption of units; inclusion of these expenses in the calculation would result in a reduction in the total return presented. For newly introduced portfolios, the total return for the first year is calculated as the percentage of change from inception to the end of the period.