

Report on
Market Conduct Examination

of

Nationwide Insurance Company of America
Madison, Wisconsin

Nationwide Property and Casualty Insurance Company
Columbus, Ohio

by Representatives of the
North Carolina Department of Insurance

as of

May 12, 2015

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Raleigh, North Carolina
May 12, 2015

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Department of Insurance
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Honorable Mary Taylor
Director of Insurance
Ohio Department of Insurance
50 West Town Street
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Honorable Commissioners and Honorable Director:

Pursuant to your instructions and in accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131 through 58-2-134, a target examination has been made of the market conduct activities of

Nationwide Insurance Company of America (NAIC #25453)

Madison, Wisconsin

Nationwide Property and Casualty Insurance Company (NAIC #37877)

Columbus, Ohio

NAIC Exam Tracking System Exam Number: NC299-M62

hereinafter generally referred to as the Companies, at the Companies' regional office located at 4401 Creedmoor Road, Raleigh, North Carolina and at the North Carolina Department of Insurance (Department) office located at 11 S. Boylan Avenue, Raleigh, North Carolina. A report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The North Carolina Department of Insurance conducted a limited-scope examination of the Companies. The examination commenced on October 20, 2014, and covered the period of January 1, 2013, through December 31, 2013, with analyses of certain operations of the Companies being conducted through April 28, 2015.

This examination was performed in accordance with auditing standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC). The scope of this examination was not comprehensive, but included a limited review of the Companies' practices and procedures in underwriting practices and terminations. The findings and conclusions contained within the report are based solely on the work performed and are referenced within the appropriate section of the examination report.

It is the Department's practice to cite companies in violation of a statute or rule when the results of a sample show errors/noncompliance at or above the following levels: 0 percent for the use of forms and rates/rules that were neither filed with nor approved by the Department; and 10 percent for all other areas reviewed.

EXECUTIVE SUMMARY

This market conduct examination revealed concerns with Company procedures and practices in the following areas:

Underwriting Practices - Private Passenger Automobile New Business: Consent to rate form did not properly contain premium information.

Terminations – Private Passenger Automobile Nonrenewals: North Carolina Notice of Termination form (FS-4) not submitted to the North Carolina Division of Motor Vehicles (DMV).

Specific violations are noted in the appropriate section of this report. All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be viewed on the North Carolina Department of Insurance Web site www.ncdoi.com by clicking "INSURANCE DIVISIONS" then "Legislative Services."

The examination identified various statutory violations, some of which may extend to other jurisdictions. The Companies are directed to take immediate corrective action to demonstrate their ability and intention to conduct business in North Carolina according to its insurance laws and regulations. When applicable, corrective action for other jurisdictions should be addressed.

All statutory violations may not have been discovered or noted in this report. Failure to identify statutory violations in North Carolina or in other jurisdictions does not constitute acceptance of such violations.

UNDERWRITING PRACTICES

Overview

The Companies' underwriting practices and procedures for active private passenger automobile policies were reviewed to determine adherence to underwriting guidelines, file documentation, and premium determination. Additionally, the policies were examined to determine compliance with the appropriate North Carolina statutes and rules, policy provisions, and the applicable rules of the North Carolina Rate Bureau Manual.

Private Passenger Automobile

The Companies provided a listing of 66,768 active private passenger automobile policies issued during the period under examination. One hundred policies were randomly selected for review.

The Companies' private passenger automobile policies were written on a six or 12 month basis. Liability coverages were written utilizing manual rates. Physical damages coverages were written on a consent to rate basis. Risk placement was determined by the Companies' underwriting guidelines and the underwriter. No discrepancies were noted in the Companies' use of their underwriting guidelines.

The Companies did not adhere to the provisions of 11 NCAC 10.0602(a)(2)(3) as the consent to rate form did not contain the rate and premium that would be charged without

application of consent to rate as well as the proposed rate and premium for extended transportation coverage for fifty policies reviewed.

TERMINATIONS

Overview

The Companies' termination procedures for private passenger automobile policies were reviewed to determine compliance with the appropriate North Carolina statutes and rules, policy provisions, and the applicable rules of the North Carolina Rate Bureau Manual.

Private Passenger Automobile Cancellations

The Companies provided a listing of 36,134 private passenger automobile policies cancelled during the period under examination. One hundred policies were randomly selected for review.

The reason for cancellation was deemed valid for all policies reviewed. The review revealed the following reasons for cancellation:

Reason for Cancellation	Number of Policies	Percentage of Total
Nonpayment of premium	45	45.0
Insured's request	40	40.0
Rewritten	15	15.0
Total	100	100.0

The Companies were not required to issue cancellation notices for 55 of the cancellations reviewed as these policies were cancelled at the request of the insured or the coverage was rewritten. Cancellation notices stated the specific reason for cancellation. The Companies issued the refunds in a timely manner. All policy files contained sufficient documentation to support the action taken by the Companies. The Companies sent the North Carolina Notice of Termination form (FS-4) to the North Carolina Division of Motor Vehicles (DMV) when liability was cancelled.

Private Passenger Automobile Nonrenewals

The entire population of 21 private passenger automobile policies nonrenewed during the period under examination was selected for review.

The reason for nonrenewal was deemed valid for all policies reviewed. The review revealed the following reasons for nonrenewal:

Reason for Nonrenewal	Number of Policies	Percentage of Total
Risk no longer eligible	11	52.4
Underwriting decision	10	47.6
Total	21	100.0

The nonrenewal notices for the policies reviewed stated the specific reason for nonrenewal.

The Companies did not adhere to the provisions of NCGS 20-309.2 as three files reviewed contained no evidence that the North Carolina Notice of Termination form (FS-4) was sent to the North Carolina Division of Motor Vehicles (DMV) when liability coverage was nonrenewed.

The final area of this review encompassed documentation of the policy file. All policy files reviewed contained sufficient documentation to support the action taken by the Companies.

COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

The Companies must ascertain the private passenger automobile consent to rate forms contain all manual and proposed rates and premiums being charged on a consent to rate basis. The Companies have indicated they will discontinue the consent to rate of the Extended Transportation Expense Coverage beginning with a June 15, 2015, effective date for new and renewal policies. For private passenger automobile nonrenewals, the Companies must submit the FS-4 form to the DMV when liability coverages are nonrenewed.

CONCLUSION

An examination has been conducted on the market conduct affairs of Nationwide Insurance Company of America and Nationwide Property and Casualty Insurance Company for the period January 1, 2013, through December 31, 2013, with analyses of certain operations of the Companies being conducted through April 28, 2015.

This examination was conducted in accordance with the North Carolina Department of Insurance and the National Association of Insurance Commissioners Market Regulation Handbook procedures, including analyses of Company operations in the areas of underwriting practices and terminations.

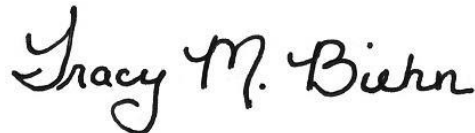
In addition to the undersigned, Norma Rafter, CPCU, North Carolina Market Conduct Examiner III, participated in this examination and the preparation of this report.

Respectfully submitted,



Gina Abate
Examiner-In-Charge
Market Regulation Division
State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.



Tracy Miller Biern, LPCS, MBA
Deputy Commissioner
Market Regulation Division
State of North Carolina