



Report on

Market Conduct Examination

of the

Nationwide Mutual Insurance Company  
Nationwide General Insurance Company

Columbus, Ohio

by Representatives of the  
North Carolina Department of Insurance

as of

January 19, 2016

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Raleigh, North Carolina  
January 19, 2016

Honorable Wayne Goodwin  
Commissioner of Insurance  
Department of Insurance  
State of North Carolina  
Dobbs Building  
430 N. Salisbury Street  
Raleigh, North Carolina 27603

Honorable Mary Taylor  
Director of Insurance  
Ohio Department of Insurance  
50 West Town Street  
Third Floor – Suite 300  
Columbus, Ohio 43215

Honorable Commissioner 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 Mutual Insurance Company (NAIC #23787)**  
**Nationwide General Insurance Company (NAIC #23760)**  
NAIC Exam Tracking System Exam Number: NC299-M84  
Columbus, Ohio

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 Department conducted a target examination of the Companies. This examination commenced on September 8, 2015, and covered the period of January 1, 2013, through December 31, 2014, with analyses of certain operations of the Companies being conducted through January 15, 2016.

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 marketing and underwriting. The findings and conclusions contained within the report are based solely on the work performed and are referenced within the appropriate sections 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 that fall outside certain tolerance levels. The Department applied a 0 percent tolerance level for the use of forms and rates/rules that were neither filed with nor approved by the Department and 5 percent for all other areas reviewed. Sample sizes were generated via an Audit Command Language (ACL) program with a random sample taken from a given population. The Department utilized a 95% Confidence Level to determine the error tolerance level.

## **EXECUTIVE SUMMARY**

This market conduct examination revealed no concerns with the Companies' procedures and practices in the following areas: marketing and underwriting practices.

All North Carolina General Statutes cited in this report may be viewed on the North Carolina Department of Insurance Web site [www.ncdoi.com](http://www.ncdoi.com) by clicking "INSURANCE DIVISIONS" then "Legislative Services".

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.

## **MARKETING**

### Policy Forms and Filings

Policy forms and filings for the Companies were reviewed to determine compliance with appropriate North Carolina statutes and rules. We reviewed the following line of business:

- Homeowners

Filings for the homeowners line of business were made by the North Carolina Rate Bureau on behalf of the Companies. Deviations for this line of business were made to the Department by the Companies.

## **UNDERWRITING PRACTICES**

### Overview

The Companies' marketing in North Carolina is directed to personal and commercial lines of business. The Companies provided the examiner with a list of the following type of active policies for the period under examination:

- Homeowners

A random selection of 119 homeowners policies was made from a total population of 26,363. Each policy was reviewed for 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 policy manual rules.

### Homeowners

The Companies' homeowners policies were written on a consent-to-rate basis. Policies were written on an annual basis. Risk placement was determined by the Companies' underwriting guidelines and the underwriter. No discrepancies were noted in the Companies'

use of its underwriting guidelines. All policy files contained sufficient documentation to support the Companies' classification of the risk. All premiums charged were deemed correct.

### CONCLUSION

An examination has been conducted on the market conduct affairs of Nationwide Mutual Insurance Company and Nationwide General Insurance Company for the period January 1, 2013, through December 31, 2014, with analyses of certain operations of the Companies being conducted through January 15, 2016.

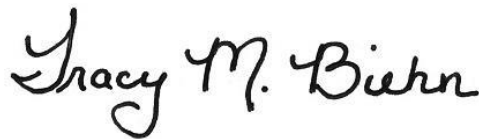
This examination was conducted in accordance with the North Carolina Department of Insurance and the National Association of Insurance Commissioners Market Regulation Handbook procedures, including analyses of the Companies' operations in the areas of marketing and underwriting practices.

Respectfully submitted,



Gina L. Abate, MCM  
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 M. Biehn, LPCS, MBA, MCM  
Deputy Commissioner  
Market Regulation Division  
State of North Carolina