

REPORT ON
THE MARKET CONDUCT EXAMINATION

OF

Nationwide Mutual Fire Insurance Company
NAIC Company Code: 23779

Nationwide Mutual Insurance Company
NAIC Company Code: 23787

Nationwide Assurance Company
NAIC Company Code: 10723

Nationwide Property & Casualty Insurance Company
NAIC Company Code: 37877

As of

December 31, 2005

State of Rhode Island
Department of Business Regulation
Insurance Division

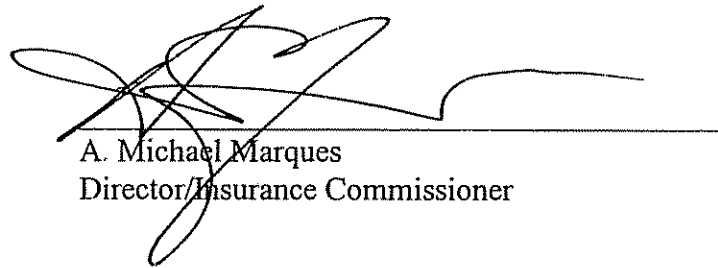
**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
INSURANCE DIVISION**

The attached Report of Examination as of December 31, 2005, of the market conduct condition and affairs of Nationwide Mutual Insurance Company, Nationwide Mutual Fire Insurance Company, Nationwide Assurance Company and Nationwide Property & Casualty Insurance Company was recently completed by duly qualified examiners, pursuant to the provision of the Rhode Island Insurance Code.

Due consideration has been given to the comments of the examiners regarding the operations of Nationwide Mutual Insurance Company, Nationwide Mutual Fire Insurance Company, Nationwide Assurance Company and Nationwide Property & Casualty Insurance Company and their market conduct condition as reflected from the examination report.

It is therefore ORDERED that said Report be, and it is hereby adopted and filed and made an official record of this department as of this date.

DEPARTMENT OF BUSINESS REGULATION


A. Michael Marques
Director/Insurance Commissioner

ORDER NO. 06-329

DATED: 12-26-2006

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Providence, Rhode Island

November 20, 2006

Honorable A. Michael Marques
Insurance Commissioner
State of Rhode Island

Commissioner:

In accordance with your instructions, and pursuant to the statutes of the State of Rhode Island, a Market Conduct Examination was conducted of the:

Nationwide Mutual Fire Insurance Company
Nationwide Mutual Insurance Company
Nationwide Assurance Company
Nationwide Property & Casualty Insurance Company
One Nationwide Plaza
Columbus, Ohio 43215-2220

Hereinafter referred to as the "Companies".

The examination was conducted at the Companies' regional office, located at 500 Enterprise Drive, Rocky Hill, Connecticut.

FOREWORD

Our Market Conduct Examination Report is, in general, a report by exception. Information relating to practices, procedures, and/or files subject to review during our examination has been omitted from the report if errors over a three-percent threshold were not evidenced.

SCOPE OF EXAMINATION

Authority for this examination is provided by R. I. Gen. Laws §27-13-1 and §27-13.1-3. The examination covered the period from January 1, 2004 through December 31, 2005, and was conducted in accordance with standards established by the National Association of Insurance Commissioners, and procedures developed by the Rhode Island Department of Business Regulation, Insurance Division.

The examination encompassed a review of the following areas: Consumer or Other Related Complaints, Underwriting, Claims, Cancellations and Nonrenewals. The lines of business reviewed were Private Passenger Automobile and Homeowners.

The primary purpose of the examination was to evaluate the Companies' compliance with Rhode Island General Laws and Insurance Regulations, and to determine whether Rhode Island insureds and claimants were being treated equitably. The test work performed during the examination satisfied this purpose, and forms the basis for the findings and recommendations presented in this report. The examination consisted of verification and evaluation, on a test basis, of information contained in the insurer's files.

PROFILE OF COMPANY

History

Nationwide Mutual Fire Insurance Company

The Company was incorporated on December 27, 1933 under the laws of Ohio, and began writing business on April 15, 1934. Operations were conducted under the corporate name "Farm Bureau Mutual Fire Insurance Company" from inception until September 1, 1955, when the present corporate name was adopted.

Nationwide Mutual Insurance Company

The Company was incorporated on December 16, 1925 under the laws of Ohio, and began writing business on April 14, 1926 under the sponsorship of The Ohio Farm Bureau Federation to provide automobile insurance for Farm Bureau members at cost. Operations were conducted under the corporate name "Farm Bureau Mutual Automobile Insurance Company" until September 1, 1955. On that date, the present corporate title was adopted.

Nationwide Assurance Company

The company was incorporated May 1, 1934 under the mutual insurance laws of California, and began writing business on November 10 of the same year under the corporate name "Colonial Mutual Compensation Insurance Company, Ltd". Policyholders approved the Company's conversion from a mutual to a stock basis, which took place on April 15, 1942. Concurrent with the conversion from a mutual to a capital stock basis of operation, the corporate name was changed to Colonial Insurance Company. The words "of California" were added to the title on July 13, 1973. On July 15, 1997, the company redomesticated from California to Wisconsin and its name was changed to Colonial Insurance Company of Wisconsin. The present title was

were as follows: Douglas Craig Robinette, (President), Brian Waggoner Nocco, (Sr. VP & Treasurer) and Glenn Warren Soden, (AVP – Corp. Gov. & Secretary).

UNDERWRITING

Private Passenger Automobile

A review of the Companies' private passenger automobile underwriting practices was conducted to determine whether actions taken by the Companies were in compliance with R.I. Gen. Laws §27-7-2.1, §27-7-2.5, §27-9-1 et seq., §27-44-1 et seq. and Rhode Island Insurance Regulations 10, 53, and 84. The review was also performed to determine whether the Companies' new business policies were properly documented and were in compliance with applicable underwriting guidelines and procedures.

The Companies provided the examiners with a listing of 6,333 private passenger new business policies processed during the period under examination. From this listing, a sample of 100 files was selected for review. The selection of the sample files was based on established NAIC sampling criteria.

Based on the examination work performed, the examiners noted 5 files with inadequate rates, which resulted in premium undercharges due to the Companies' incorrect classification of rating territories. Therefore, the Companies were in violation of R.I. Gen. Laws §27-9-1 et seq. and §27-44-1 et seq., which requires rates to be adequate, not excessive, or unfairly discriminatory.

Recommendation #1: It is recommended that the Companies rate these policies with the correct rating territories at the next renewal, if not already adjusted, and monitor the assignment

of rating territories to ensure compliance with R.I. Gen. Laws §27-9-1 et seq. and §27-44-1 et seq.

Homeowners

A review of the Companies' homeowners underwriting practices was conducted to determine whether actions taken by the Companies were in compliance with R. I. Gen. Laws §27-5, §27-29 and §27-44. The review was also performed to determine whether the Companies were in compliance with their own underwriting procedures and to verify that new business files contained proper documentation.

The Companies provided the examiners with a listing of 2,197 new business files processed during the period under examination. From this listing, a sample of 50 files was selected for review. The selection of the sample files was based on established NAIC sampling criteria.

Based on the examination work performed, the examiners noted 4 files that did not comply with R. I. Gen. Laws §27-29-1 and §27-44. Within those four files, the Companies applied 3 incorrect protection classifications and 2 incorrect territory codes. One of the noted files was an overcharge to the insured, the other three files did not contain overcharges, and all classifications and territory code errors were corrected at renewal by the Companies.

Recommendation #2: It is recommended that the Companies monitor the assignment of protection classifications and territory coding to ensure compliance with R. I. Gen. Laws §27-29-1 and §27-44. In addition, the Companies should refund the \$63.00 dollar overcharge, indicating that the refund is a result of a Market Conduct Examination performed by the Rhode Island

CLAIMS

Homeowners – Closed without Payment

A review of the Companies' homeowners claims closed without payment practices was conducted to determine whether actions taken by the Companies were in compliance with R. I. Gen. Laws §27-5-3, §27-9.1-4, §27-29-4 and Rhode Island Insurance Regulation 73. The review was also performed to determine whether the Companies were in compliance with their own claims procedures, to verify that claim files contained proper documentation, and that claims were closed in accordance with the Companies' guidelines and the appropriate provisions of the applicable policy contract.

The Companies provided the examiners with a listing of 1,090 homeowner claims closed without payment during the period under examination. From this listing an initial sample of 50 files was selected for review. Due to the results of this review, an additional 61 files were selected based on NAIC sampling criteria.

Based on the examination work performed, the examiners noted 10 files that did not comply with Rhode Island Insurance Regulation 73, Section 6.I. In their letter of claim denial, the Companies did not include the required language, which advises the claimant that they may contact the Rhode Department of Business Regulation, Insurance Division regarding the denial of their claim.

Recommendation #3: It is recommended that the Companies monitor homeowner closed

without payment claims to ensure compliance with Rhode Island Insurance Regulation 73, 6.I. In addition, the Companies should advise **all** personnel involved in the processing of Rhode Island homeowner claims of the requirements of Rhode Island Insurance Regulation 73.

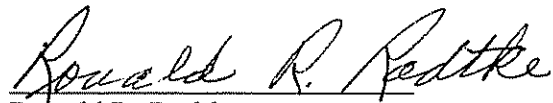
Rec. #	Summary of Recommendations	Page #
1	It is recommended that the Companies rate these policies with the correct rating territories at the next renewal, if not already adjusted, and monitor the assignment of rating territories to ensure compliance with R.I. Gen. Laws §27-9-1 et seq. and §27-44-1 et seq.	7
2	It is recommended that the Companies monitor the assignment of protection classifications and territory coding to ensure compliance with R. I. Gen. Laws §27-29-1 and §27-44. In addition, the Companies should refund the \$63.00 dollar overcharge, indicating that the refund is a result of a Market Conduct Examination performed by the Rhode Island Department of Business Regulation, Insurance Division.	8
3	It is recommended that the Companies monitor homeowner closed without payment claims to ensure compliance with Rhode Island Insurance Regulation 73, 6.I. In addition, the Companies should advise all personnel involved in the processing of Rhode Island homeowner claims of the requirements of Rhode Island Insurance Regulation 73.	9

CONCLUSION

We have applied verification procedures to the data contained in this report using both subjective and statistical sampling techniques as deemed appropriate. While sampling techniques do not give complete assurance that all errors and irregularities will be detected, those that were detected during the course of this examination have been disclosed in this report. We were not informed of, and did not become aware of any other error or irregularity that could have a material effect on the market conduct condition of the Company as presented in this report.

Assisting the undersigned in the conduct of this examination, was Robert G. Arrow, FLMI, Senior Market Conduct Examiner.

Respectfully submitted,



Ronald R. Radtke
Senior Market Conduct Examiner
Rhode Island Insurance Division