

MARKET CONDUCT EXAMINATION REPORT

OF

**NATIONWIDE MUTUAL FIRE INSURANCE
COMPANY**

**NATIONWIDE PROPERTY AND CASUALTY
INSURANCE COMPANY**

AS OF

MARCH 31, 2012

**COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE**

**Property and Casualty Division
Market Conduct Section**

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



P.O. BOX 1157
RICHMOND, VIRGINIA 23218
TELEPHONE: (804) 371-9741
TDD/VOICE: (804) 371-9206
www.scc.virginia.gov/boi

STATE CORPORATION COMMISSION BUREAU OF INSURANCE

I, Andrea Baytop, Senior Insurance Market Examiner of the Bureau of Insurance, do hereby certify that the annexed copy of the Market Conduct Examination Report of Nationwide Mutual Fire Insurance Company and Nationwide Property & Casualty Insurance Company as of March 31, 2012, conducted at the companies' office in Richmond, Virginia is a true copy of the original Report on file with the Bureau and also includes a true copy of the companies' response to the findings set forth therein, and a true copy of the Bureau's review letters and the State Corporation Commission's Order in Case Number INS-2014-00206 finalizing the Report.

IN WITNESS WHEREOF, I have
hereunto set my hand and affixed
the official seal of this the Bureau
at the City of Richmond, Virginia,
this 17th day of December, 2014.

A handwritten signature in cursive script, reading 'Andrea Baytop', written over a horizontal line.

Andrea Baytop
Examiner in Charge

MARKET CONDUCT EXAMINATION REPORT

OF

**NATIONWIDE MUTUAL FIRE INSURANCE
COMPANY**

**NATIONWIDE PROPERTY AND CASUALTY
INSURANCE COMPANY**

AS OF

MARCH 31, 2012

**COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE**

**Property and Casualty Division
Market Conduct Section**

TABLE OF CONTENTS

INTRODUCTION	1
COMPANY PROFILES	1
SCOPE OF THE EXAMINATION	4
STATISTICAL SUMMARY	5
PART ONE – THE EXAMINERS’ OBSERVATIONS	7
RATING AND UNDERWRITING REVIEW	7
Automobile New Business Policies	7
Automobile Renewal Business Policies.....	9
Homeowner New Business Policies.....	10
Homeowner Renewal Business Policies	10
TERMINATION REVIEW	11
Private Passenger Automobile	11
Company-Initiated Cancellations – Automobile Policies	11
Notice Mailed Prior to the 60 th Day of Coverage	11
Notice Mailed After the 59 th Day of Coverage	12
All Other Cancellations – Automobile Policies	12
Nonpayment of the Premium	12
Requested by the Insured	13
Company-Initiated Non-renewals – Automobile Policies	13
Homeowner Policies	13
Company-Initiated Cancellations – Homeowner Policies.....	13
Notice Mailed Prior to the 90 th Day of Coverage	13
Notice Mailed After the 89 th Day of Coverage	14
All Other Cancellations – Homeowner Policies	15
Nonpayment of the Premium	15
Requested by the Insured	15

Company-Initiated Non-renewals – Homeowner Policies	16
CLAIMS REVIEW	16
Private Passenger Automobile Claims	16
Homeowner Claims.....	21
REVIEW OF FORMS.....	24
Automobile Policy Forms	24
Policy Forms Used During the Examination Period	24
Policy Forms Currently Used.....	24
Homeowner Policy Forms	25
Policy Forms Used During the Examination Period	25
Policy Forms Used During the Examination Period	25
REVIEW OF THE POLICY ISSUANCE PROCESS.....	25
Automobile Policies.....	26
New Business Policies	26
Renewal Business Policies.....	26
Homeowner Policies	26
New Business Policies	26
Renewal Business Policies.....	26
REVIEW OF STATUTORY NOTICES	27
General Statutory Notices	27
Statutory Vehicle Notices	28
Statutory Property Notices	28
Other Notices.....	28
LICENSING AND APPOINTMENT REVIEW	29
Agent.....	29
Agency.....	29
REVIEW OF THE COMPLAINT-HANDLING PROCESS.....	29
REVIEW OF PRIVACY AND INFORMATION SECURITY PROCEDURES.....	29

PART TWO – CORRECTIVE ACTION PLAN	30
General.....	30
Rating and Underwriting Review	30
Termination Review	32
Claims Review	33
Forms Review	34
Review of Policy Issuance Process.....	34
Review of Statutory Notices	35
Review of the Complaint-Handling Process	35
PART THREE – RECOMMENDATIONS.....	36
RECOMMENDATIONS	36
Rating and Underwriting.....	36
Termination.....	36
Claims.....	36
SUMMARY OF PREVIOUS EXAMINATION FINDINGS.....	37
ACKNOWLEDGEMENT.....	39

INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a comprehensive examination has been made of the private passenger auto and homeowner lines of business written by Nationwide Mutual Fire Insurance Company and Nationwide Property and Casualty Insurance Company at their office in Richmond, Virginia.

The examination commenced January 7, 2013 and concluded July 1, 2013. Brandon L. Ayers, Andrea D. Baytop, William T. Felvey, Ju'Coby D. Hendrick, Richard L. Howell, Melody S. Morrissette, and Gloria V. Warriner, examiners of the Bureau of Insurance, and Joyclyn M. Morton, Market Conduct Supervisor of the Bureau of Insurance, participated in the work of the examination. The examination was called in the Examination Tracking System on March 12, 2012 and was assigned the examination number of VA177-M2. The examination was conducted in accordance with the procedures established by the National Association of Insurance Commissioners (NAIC).

COMPANY PROFILES*

Nationwide Property and Casualty Insurance Company (NPCIC) was incorporated under the laws of Ohio on November 9, 1979 and commenced business on July 1, 1981.

Nationwide Mutual Fire Insurance Company (NMFIC) was incorporated under the laws of Ohio on December 27, 1933 and commenced business on April 15, 1934. Operations were conducted under the title Farm Bureau Mutual Fire Insurance Company from inception until September 1, 1955 when the present title was adopted.

The companies are based in Columbus, Ohio.

* Source: Best's Insurance Reports, Property & Casualty, 2012 Edition.

The table below indicates when the companies were licensed in Virginia and the lines of insurance that the companies were licensed to write in Virginia during the examination period. All lines of insurance were authorized as noted in the table.

GROUP CODE: 0140	NMFIC	NPCIC
NAIC Company Number	23779	37877
LICENSED IN VIRGINIA	5/24/1937	4/27/1989
LINES OF INSURANCE		
Accident and Sickness		
Aircraft Liability	X	X
Aircraft Physical Damage	X	X
Animal	6/16/88	X
Automobile Liability	X	X
Automobile Physical Damage	X	X
Boiler and Machinery	6/10/83	X
Burglary and Theft	X	X
Commercial Multi-Peril	X	X
Credit		X
Farmowners Multi-Peril	X	X
Fidelity	X	X
Fire	X	X
General Liability	X	X
Glass	X	X
Homeowner Multi-Peril	X	X
Inland Marine	X	X
Miscellaneous Property	X	X
Ocean Marine	X	X
Surety	X	X
Water Damage	X	X
Workers' Compensation	X	X

The table below shows the companies' premium volume and approximate market share of business written in Virginia during 2012 for the lines of insurance included in this examination.* This business was developed through captive agents.

COMPANY AND LINE	PREMIUM VOLUME	MARKET SHARE
Nationwide Mutual Fire Insurance Company		
Private Passenger Automobile Liability	\$2,427,603	0.10%
Private Passenger Automobile Physical Damage	\$1,228,830	0.07%
Homeowner	\$79,611,265	4.39%
Nationwide Property and Casualty Insurance Company		
Private Passenger Automobile Liability	\$40,936,522	1.65%
Private Passenger Automobile Physical Damage	\$28,656,379	1.57%
Homeowner	\$78,999,714	4.35%

* Source: The 2012 Annual Statement on file with the Bureau of Insurance and the Virginia Bureau of Insurance Statistical Report.

SCOPE OF THE EXAMINATION

The examination included a detailed review of the companies' private passenger automobile and homeowner lines of business written in Virginia for the period beginning April 1, 2011 and ending March 31, 2012. This review included rating and underwriting, policy terminations, claims handling, forms, policy issuance,* statutory notices, agent licensing, complaint-handling, and information security practices. The purpose of this examination was to determine compliance with Virginia insurance statutes and regulations and to determine that the companies' operations were consistent with public interest. The Report is by test, and all tests applied during the examination are reported.

This Report is divided into three sections, Part One – The Examiners' Observations, Part Two – Corrective Action Plan, and Part Three – Recommendations. Part One outlines all of the violations of Virginia insurance statutes and regulations that were cited during the examination. In addition, the examiners cited instances where the companies failed to adhere to the provisions of the policies issued on risks located in Virginia. Finally, violations of other related laws that apply to insurers, characterized as "Other Law Violations," are also noted in this section of the Report.

In Part Two, the Corrective Action Plan identifies the violations that rise to the level of a general business practice and are subject to a monetary penalty.

In Part Three, the examiners list recommendations regarding the companies' practices that require some action by the companies. This section also summarizes the violations for which the companies were cited in previous examinations.

* Policies reviewed under this category reflected the company's current practices and, therefore, fell outside of the exam period.

The examiners may not have discovered every unacceptable or non-compliant activity in which the companies engaged. The failure to identify, comment on, or criticize specific company practices does not constitute an acceptance of the practices by the Bureau.

STATISTICAL SUMMARY

The files selected for the review of the rating and underwriting, termination, and claims handling processes were chosen by random sampling of the various populations provided by the companies. The relationship between population and sample is shown on the following page.

In other areas of the examination, the sampling methodology is different. The examiners have explained the methodology for those areas in corresponding sections of the Report.

The details of the errors will be explained in Part One of this Report. General business practices may or may not be reflected by the number of errors shown in the summary.

**Population
Sample Requested**

AREA	NPIC	NMFIC	TOTAL	FILES REVIEWED	FILES NOT FOUND	FILES WITH ERRORS	ERROR RATIO
<u>Private Passenger Auto</u>							
New Business	<u>35761</u> 50	<u>2</u> 2	<u>35763</u> 52	52	0	52	100%
Renewal Business ¹	<u>34023</u> 50	<u>6688</u> 25	<u>40711</u> 75	71	1	66	93%
Co-Initiated Cancellations	<u>718</u> 16	<u>2</u> 2	<u>720</u> 18	18	0	5	28%
All Other Cancellations ²	<u>4135</u> 25	<u>759</u> 15	<u>4894</u> 40	34	0	14	41%
Nonrenewals	<u>49</u> 5	<u>9</u> 6	<u>58</u> 11	11	0	2	18%
<u>Homeowner</u>							
New Business	<u>10589</u> 25	<u>0</u> 0	<u>10589</u> 25	25	0	5	20%
Renewal Business	<u>75207</u> 50	<u>89351</u> 50	<u>164558</u> 100	99	1	44	44%
Co-Initiated Cancellations	<u>341</u> 25	<u>56</u> 10	<u>397</u> 35	35	0	8	23%
All Other Cancellations ²	<u>5511</u> 20	<u>4439</u> 20	<u>9950</u> 40	38	0	9	24%
Nonrenewals	<u>602</u> 10	<u>687</u> 10	<u>1289</u> 20	20	0	2	10%
<u>Claims</u>							
Auto ³	<u>13102</u> 85	<u>771</u> 60	<u>13873</u> 145	135	0	86	64%
Property	<u>9279</u> 35	<u>11152</u> 35	<u>20431</u> 70	70	0	37	53%

Footnote ¹ Three renewal business policies were actually new business and not reviewed.

Footnote ² The company was unable to provide accurate population files to reflect the cancellations processed during the examination period.

Footnote ³ Ten claim files were motorcycle policies and not reviewed.

PART ONE – THE EXAMINERS’ OBSERVATIONS

This section of the Report contains all of the observations that the examiners provided to the companies. These include all instances where the companies violated Virginia insurance statutes and regulations. In addition, the examiners noted any instances where the companies violated any other Virginia laws applicable to insurers.

RATING AND UNDERWRITING REVIEW

Automobile New Business Policies

The Bureau reviewed 52 new business policy files. As a result of this review, the examiners found overcharges totaling \$1,692.20 and undercharges totaling \$100.10. The net amount that should be refunded to insureds is \$1,692.20 plus six percent (6%) simple interest.

- (1) The examiners found 42 violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the insurance policy accurate information required by the statute. The company listed the Customizing Equipment Coverage endorsement on the declarations page when it was not applicable to the policy.
- (2) The examiners found 46 violations of § 38.2-502 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy. The company misrepresented the coverages, limits, and discounts applicable to the policy.
- (3) The examiners found four violations of § 38.2-1318 of the Code of Virginia. The company failed to provide convenient access to the files, documents, and records relating to the examination. The company failed to provide a copy of the new business application.

- (4) The examiners found 20 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
- a. In three instances, the company failed to use the correct discounts and/or surcharges.
 - b. In four instances, the company failed to apply the correct surcharge points for accidents and/or convictions.
 - c. In four instances, the company failed to use the correct symbol.
 - d. In two instances, the company failed to use the correct tier eligibility criteria.
 - e. In one instance, the company failed to apply surcharges for convictions and accidents within the filed experience period.
 - f. In two instances, the company failed to use the correct driver classification factor.
 - g. In four instances, the company failed to use proper credit score information when rating a policy.
- (5) The examiners found two violations of § 38.2-2234 A of the Code of Virginia.
- a. In one instance, the company failed to provide the Insurance Credit Score Disclosure notice at the time of application.
 - b. In one instance, the company failed to provide the Credit Adverse Action notice to the insured.
- (6) The examiners found one violation of § 38.2-2234 B of the Code of Virginia. The company failed to properly rate the policy as required using the credit information obtained.
- (7) The examiners found two violations of § 38.2-2234 E of the Code of Virginia. The company failed to use credit information that was obtained within 90 days of writing the policy.

Automobile Renewal Business Policies

The Bureau reviewed 71 renewal business policy files. As a result of this review, the examiners found overcharges totaling \$4,192.40 and undercharges totaling \$492.10. The net amount that should be refunded to insureds is \$4,192.40 plus six percent (6%) simple interest.

- (1) The examiners found 56 violations of § 38.2-305 A of the Code of Virginia. The company failed to specify in the insurance policy all of the information required by the statute. The company listed the Customizing Equipment Coverage endorsement on the declarations page when it was not applicable to the policy.
- (2) The examiners found 24 violations of § 38.2-502 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy. The company misrepresented coverages, limits, cancellation provisions, and discounts applicable to the policy.
- (3) The examiners found two violations of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured written Notice of an Adverse Underwriting Decision (AUD).
- (4) The examiners found 48 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
 - a. In five instances, the company failed to use the correct discounts and/or surcharges.
 - b. In six instances, the company failed to apply the correct surcharge points for accidents and/or convictions.
 - c. In two instances, the company failed to use the correct symbol.
 - d. In three instances, the company failed to use the correct territory.
 - e. In six instances, the company failed to use the correct tier eligibility criteria.

- f. In two instances, the company failed to use the correct driver classification factor.
- g. In 24 instances, the company failed to use proper credit score information when rating a policy.

Homeowner New Business Policies

The Bureau reviewed 25 new business policy files. As a result of this review, the examiners found overcharges totaling \$56.00 and undercharges totaling \$28.00. The net amount that should be refunded to insureds is \$56.00 plus six percent (6%) simple interest.

- (1) The examiners found five violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
 - a. In four instances, the company failed to use the correct discounts and/or surcharges.
 - b. In one instance, the company failed to use the correct public protection class.
- (2) The examiners found one violation of § 38.2-2126 A of the Code of Virginia. The company failed to provide the Insurance Credit Score Disclosure notice at the time of application.

Homeowner Renewal Business Policies

The Bureau reviewed 99 renewal business policy files. As a result of this review, the examiners found overcharges totaling \$9.00 and undercharges totaling \$1,190.00. The net amount that should be refunded to insureds is \$9.00 plus six percent (6%) simple interest.

- (1) The examiners found two violations of § 38.2-502 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of its insurance policy. The company misrepresented discounts applicable to the policy.
- (2) The examiners found 46 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
 - a. In 37 instances, the company failed to use the correct discounts and/or surcharges.
 - b. In eight instances, the company failed to use the correct base and/or final rates.
 - d. In one instance, the company failed to use proper credit score information when rating a policy.

TERMINATION REVIEW

The Bureau requested cancellation files in several categories due to the difference in the way these categories are treated by Virginia insurance statutes, regulations, and policy provisions. The breakdown of these categories is described below.

Private Passenger Automobile

Company-Initiated Cancellations – Automobile Policies

NOTICE MAILED PRIOR TO THE 60TH DAY OF COVERAGE

The Bureau reviewed 13 automobile cancellations that were initiated by the companies where the companies mailed the notices prior to the 60th day of coverage in the initial policy period. As a result of this review, the examiners found no overcharges and undercharges totaling \$84.17.

The examiners found three violations of § 38.2-1906 D of the Code of Virginia.

The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

The Bureau reviewed five automobile cancellations that were initiated by the companies where the companies mailed the notices on or after the 60th day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. As a result of this review, the examiners found no overcharges and undercharges totaling \$9.97.

- (1) The examiners found one violation of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.
- (2) The examiners found two violations of § 38.2-2212 D of the Code of Virginia. The company cancelled the insured's motor vehicle policy due to revocation or suspension of a driver's license that did not occur during the period of time allowed by the statute.

All Other Cancellations – Automobile Policies

NONPAYMENT OF THE PREMIUM

The Bureau reviewed 19 automobile cancellations that were initiated by the companies for nonpayment of the policy premium. As a result of this review, the examiners found no overcharges and undercharges totaling \$1,208.14.

The examiners found nine violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.

REQUESTED BY THE INSURED

The Bureau reviewed 15 automobile cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. As a result of this review, the examiners found overcharges totaling \$110.48 and undercharges totaling \$34.15. The net amount that should be refunded to insureds is \$110.48 plus six percent (6%) simple interest.

The examiners found five violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.

Company-Initiated Non-renewals – Automobile Policies

The Bureau reviewed 11 automobile nonrenewals that were initiated by the companies.

The examiners found two violations of § 38.2-2212 E of the Code of Virginia.

- a. In one instance, the company failed to send the nonrenewal notice to the insured.
- b. In one instance, the company failed to mail the notice of nonrenewal to the insured at least 45 days prior to the effective date of nonrenewal.

Homeowner Policies**Company-Initiated Cancellations – Homeowner Policies**NOTICE MAILED PRIOR TO THE 90TH DAY OF COVERAGE

The Bureau reviewed ten homeowner cancellations that were initiated by the companies where the companies mailed the notices prior to the 90th day of coverage in the initial policy period. As a result of this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found one violation of § 38.2-2113 C of the Code of Virginia. The company failed to provide proper notice of cancellation to the lienholder.
- (2) The examiners found one occurrence where the company failed to comply with the provisions of the insurance policy. The company failed to send written notice of cancellation to the insured.

NOTICE MAILED AFTER THE 89TH DAY OF COVERAGE

The Bureau reviewed 25 homeowner cancellations that were initiated by the companies where the companies mailed the notices on or after the 90th day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. As a result of this review, the examiners found overcharges totaling \$1,320.61 and no undercharges. The net amount that should be refunded to insureds is \$1,320.61 plus six percent (6%) simple interest.

- (1) The examiners found one violation of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.
- (2) The examiners found two violations of § 38.2-2113 C of the Code of Virginia.
 - a. In one instance, the company failed to provide proper notice of cancellation to the lienholder.
 - b. In one instance, the company failed to retain proof of mailing the notice of cancellation to the lienholder.
- (3) The examiners found four violations of § 38.2-2114 A of the Code of Virginia.
 - a. In one instance, the company failed to send the insured written notice of cancellation of his owner-occupied dwelling policy.
 - b. In three instances, the company cancelled a policy insuring an owner-occupied dwelling because of foreclosure and failed to obtain evidence of the sale of the property by a trustee under a deed of trust prior to

cancelling the policy.

- (4) The examiners found three violations of § 38.2-2114 C of the Code of Virginia.
- a. In one instance, the company failed to provide at least 30 days' notice to the insured when the company cancelled the policy after the 89th day of coverage.
 - b. In one instance, the company failed to include the date of cancellation on the cancellation notice.
 - c. In one instance, the company failed to advise the insured of his right to request a review by the Commissioner of Insurance.

All Other Cancellations – Homeowner Policies

NONPAYMENT OF THE PREMIUM

The Bureau requested 20 homeowner cancellations that were initiated by the companies for nonpayment of the policy premium. As a result of this review, the examiners found no overcharges and undercharges totaling \$311.68.

The examiners found five violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.

REQUESTED BY THE INSURED

The Bureau requested 20 homeowner cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. As a result of this review, the examiners found overcharges totaling \$43.26 and no undercharges. The amount that should be refunded to the insureds is \$43.26.

- (1) The examiners found two violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the return premium correctly.

- (2) The examiners found three occurrences where the company failed to comply with the provisions of the insurance policy. The company failed to obtain the insured's written request for cancellation.

Company-Initiated Non-renewals – Homeowner Policies

The Bureau requested 20 homeowner non-renewals that were initiated by the companies. The examiners reviewed all of these files.

- (1) The examiners found one violation of § 38.2-2113 C of the Code of Virginia. The company failed to send notice of nonrenewal to the lienholder.
- (2) The examiners found two violations of § 38.2-2114 B of the Code of Virginia. The company failed to send the insured a written notice of nonrenewal.

CLAIMS REVIEW

Private Passenger Automobile Claims

The examiners reviewed 135 automobile claims for the period of April 1, 2011 through March 31, 2012. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. As a result of this review, the examiners found overpayments totaling \$380.00 and underpayments totaling \$2,971.58. The net amount that should be paid to claimants is \$2,971.58 plus six percent (6%) simple interest.

- (1) The examiners found 24 violations of 14 VAC 5-400-30. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.

These findings occurred with such frequency as to indicate a general business practice.

- (2) The examiners found ten violations of 14 VAC 5-400-40 A. The company

obscured or concealed from a first party claimant, directly or by omission, benefits, coverages, or other provisions of an insurance policy that were pertinent to the claim.

- a. In two instances, the company failed to accurately inform an insured of his Medical Expense Benefits coverage when the file indicated the coverage was applicable to the loss.
- b. In three instances, the company failed to accurately inform an insured of his Transportation Expenses Coverage when the file indicated the coverage was applicable to the loss.
- c. In five instances, the company failed to accurately inform an insured of his benefits or coverages, including rental benefits, available under the Uninsured Motorist Property Damage coverage (UMPD) and/or Underinsured Motorist coverage (UIM).

These findings occurred with such frequency as to indicate a general business practice.

- (3) The examiners found 13 violations of 14 VAC 5-400-50 C. The company failed to make an appropriate reply within ten working days to pertinent communications from a claimant, or a claimant's authorized representative, that reasonably suggested a response was expected.

These findings occurred with such frequency as to indicate a general business practice.

- (4) The examiners found one violation of 14 VAC 5-400-50 D. The company failed to provide reasonable assistance to an insured during the handling of a claim.
- (5) The examiners found two violations of 14 VAC 5-400-60 B. The company failed to notify the insured, in writing, every 45 days of the reason for the company's

delay in completing the investigation of the claim.

- (6) The examiners found 18 violations of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim, in writing, and/or failed to keep a copy of the written denial in the claim file.

These findings occurred with such frequency as to indicate a general business practice.

- (7) The examiners found nine violations of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim in accordance with the insured's policy provisions.

a. In two instances, the company failed to pay the insured's rental benefits, available under the UMPD coverage and/or UIM coverage.

b. In two instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Medical Expense Benefits coverage.

c. In four instances, the company failed to pay the claim in accordance with the policy provisions under the insured's Transportation Expenses Coverage.

d. In one instance, the company failed to pay the claim in accordance with the policy provisions under the insured's Other than Collision or Collision coverage.

- (8) The examiners found 29 violations of 14 VAC 5-400-80 D. The company failed to provide the vehicle owner a copy of the estimate for the cost of repairs prepared by or on behalf of the company.

a. In 27 instances, the company failed to provide a copy of the estimate to

the insured.

- b. In two instances, the company failed to provide a copy of the estimate to the claimant.

These findings occurred with such frequency as to indicate a general business practice.

- (9) The examiners found one violation of 14 VAC 5-400-80 E. The company failed to document all information relating to the application of betterment or depreciation in the claim.

- (10) The examiners found 28 violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to coverages at issue.

- a. In 21 instances, the company issued written communications that misrepresented pertinent facts of the claim.

- b. In seven instances, the company failed to properly convey to the insured and/or claimant the company's obligation concerning payment of the rental or loss of use claim.

These findings occurred with such frequency as to indicate a general business practice.

- (11) The examiners found 18 violations of § 38.2-510 A 3 of the Code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

These findings occurred with such frequency as to indicate a general business practice.

- (12) The examiners found two violations of § 38.2-510 A 6 of the Code of Virginia.

The company failed to attempt, in good faith, to make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear.

- (13) The examiners found seven violations of § 38.2-510 A 10 of the Code of Virginia. The company made a claim payment to the insured or beneficiary that was not accompanied by a statement setting forth the correct coverage(s) under which payment was made.
- (14) The examiners found one violation of § 38.2-510 A 14 of the Code of Virginia. The company failed to provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for the denial of a claim or offer of a compromise settlement.
- (15) The examiners found two violations of § 38.2-510 C of the Code of Virginia. The company failed to accurately disclose the required aftermarket parts notice to the vehicle owner either on the estimate of repairs or in a separate document.
- (16) The examiners found four occurrences where the company failed to comply with the provisions of the insurance policy.
- a. In two instances, the company failed to include the lienholder on the insured's check.
 - b. In two instances, the company paid an insured more than he was entitled to receive under the terms of his policy.

Other Law Violations

Although not a violation of the Virginia insurance laws, the examiners noted the following as a violation of other Virginia laws.

The examiners found one violation of § 52-40 of the Code of Virginia. The company failed to include the statement regarding insurance fraud on claim forms required by the company as a condition of payment.

Homeowner Claims

The examiners reviewed 70 homeowner claims for the period of April 1, 2011 through March 31, 2012. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. As a result of this review, the examiners found overpayments totaling \$22.35 and underpayments totaling \$2,668.69. The net amount that should be paid to claimants is \$2,668.69 plus six percent (6%) simple interest.

- (1) The examiners found 9 violations of 14 VAC 5-400-30. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.

These findings occurred with such frequency as to indicate a general business practice.

- (2) The examiners found seven violations of 14 VAC 5-400-40 A. The company obscured or concealed from a first party claimant, directly or by omission, benefits, coverages, or other provisions of an insurance policy that were pertinent to the claim.
 - a. In one instance, the company failed to inform the insured of the benefits under the Additional Living Expense coverage of the policy.
 - b. In three instances, the company failed to inform the insured of the replacement cost benefits under the Dwelling coverage of the policy.
 - c. In one instance, the company failed to inform the insured of the replacement cost benefits under the Personal Property coverage of the policy.
 - d. In two instances, the company failed to inform the insured of the specified limits under the Additional Property coverage of the policy.

These findings occurred with such frequency as to indicate a general business practice.

- (3) The examiners found five violations of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim, in writing, and/or failed to keep a copy of the written denial in the claim file.

These findings occurred with such frequency as to indicate a general business practice.

- (4) The examiners found one violation of 14 VAC 5-400-70 B. The company failed to provide a reasonable explanation of the basis for the denial in the written denial of the claim.

- (5) The examiners found three violations of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim in accordance with the insured's policy provisions.

- a. In one instance, the company failed to pay the entire claim under the insured's Dwelling Replacement Cost coverage.
- b. In one instance, the company failed to pay the entire claim under the Additional Coverages coverage.
- c. In one instance, the company failed to pay the entire claim under the insured's Personal Property Replacement Cost coverage.

- (6) The examiners found 21 violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to coverages at issue.

- a. In two instances, the company failed to properly convey to the insured and/or claimant the company's obligation concerning payment of the

claim.

- b. In 19 instances, the company failed to properly represent the replacement cost provisions of the policy.

These findings occurred with such frequency as to indicate a general business practice.

- (7) The examiners found two violations of § 38.2-510 A 3 of the Code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.
- (8) The examiners found three violations of § 38.2-510 A 6 of the Code of Virginia. The company failed to attempt, in good faith, to make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear.
- (9) The examiners found one violation of § 38.2-510 A 14 of the Code of Virginia. The company failed to provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for the denial of a Medical Payments coverage claim or offer of a compromise settlement.
- (10) The examiners found three occurrences where the company failed to comply with the provisions of the insurance policy.
 - a. In one instance, the company paid an insured more than he was entitled to receive under the terms of his policy.
 - b. In one instance, the company failed to obtain authorization from the insured to make payment directly to a third party.
 - c. In one instance, the company failed to issue payments under the correct coverage.

REVIEW OF FORMS

The examiners reviewed the companies' policy forms and endorsements used during the examination period and those that are currently used for all of the lines of business examined. From this review, the examiners verified the companies' compliance with Virginia insurance statutes and regulations.

To obtain copies of the policy forms and endorsements used during the examination period for each line of business listed below, the Bureau requested copies from the companies. In addition, the Bureau requested copies of new and renewal business policy mailings that the companies were processing at the time of the Examination Data Call. The details of these policies are set forth in the Review of the Policy Issuance Process section of the Report. The examiners then reviewed the forms used on these policies to verify the companies' current practices.

Automobile Policy Forms**POLICY FORMS USED DURING THE EXAMINATION PERIOD**

The companies provided copies of 71 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found eight violations of § 38.2-2220 of the Code of Virginia.

- a. In four instances, the company used a version of a standard automobile form that was not in the precise language filed and adopted by the Bureau.
- b. In four instances, the company failed to have available for use the Suspension of Insurance endorsement (PP 02 01 01 05) and the Reinstatement of Insurance endorsement (PP 02 02 08 86).

POLICY FORMS CURRENTLY USED

The examiners found no additional forms to review.

Homeowner Policy Forms

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The companies provided copies of 32 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

- (1) The examiners found one violation of § 38.2-317 A of the Code of Virginia. The company used a form that had not been filed with the Commission at least 30 days prior to use.
- (2) The examiners found four violations of § 38.2-2119 B of the Code of Virginia. The company used a replacement cost form with provisions that did not adequately set forth the conditions as required by the Code of Virginia.

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The examiners found no additional forms to review.

REVIEW OF THE POLICY ISSUANCE PROCESS

To obtain sample policies to review the companies' policy issuance process for the lines examined, the examiners requested new and renewal business policy mailings that were sent after the companies received the Examination Data Call. The companies were instructed to provide duplicates of the entire packet that was provided to the insured. The details of these policies are set forth below.

For this review, the examiners verified that the companies enclosed and listed all of the applicable policy forms on the declarations page. In addition, the examiners verified that all required notices were enclosed with each policy. Finally, the examiners verified that the coverages on the new business policies were the same as those requested on the applications for those policies.

Automobile Policies

The companies provided five new business policies mailed on the following dates: June 8, 15, 21, 25, and 28, 2012. In addition, the companies provided ten renewal business policies mailed on June 13 and 21, and July 2 and 3, 2012.

NEW BUSINESS POLICIES

The examiners found no violations in this area.

RENEWAL BUSINESS POLICIES

- (1) The examiners found four violations of § 38.2-305 B of the Code of Virginia. The company failed to provide the Important Information to Policyholders notice.
- (2) The examiners found five violations of § 38.2-604 A of the Code of Virginia. The company failed to provide the insured the Notice of Information Collection and Disclosure Practices.
- (3) The examiners found five violations of § 38.2-604.1 of the Code of Virginia. The company failed to provide the Notice of Financial Information Collection and Disclosure Practices.

Homeowner Policies

The companies provided five new business policies mailed on the following dates: June 13, 15, and 19, 2012. In addition, the companies provided ten renewal business policies mailed on May 23 and 30, 2012.

NEW BUSINESS POLICIES

The examiners found five violations of § 38.2-2103 of the Code of Virginia. The company failed to prominently display a notice specifying whether the insurer is a stock, a mutual, a reciprocal or other form of insurer.

RENEWAL BUSINESS POLICIES

The examiners found ten violations of § 38.2-2103 of the Code of Virginia. The

company failed to prominently display a notice specifying whether the insurer is a stock, a mutual, a reciprocal or other form of insurer.

REVIEW OF STATUTORY NOTICES

To obtain sample policies to review the content of the statutory notices that the companies are required to provide to insureds and used by the companies for the lines examined, the examiners used the same new business policy and renewal business policy mailings that were previously described. The details of these policies have been set forth previously under the Review of the Policy Issuance Process section of the Report. The examiners verified that the notices used by the companies on all applications, on all policies, and those special notices used for vehicle and property policies issued on risks located in Virginia complied with the Code of Virginia.

General Statutory Notices

- (1) The examiners found two violations of § 38.2-604 B of the Code of Virginia. The company's long form Notice of Information Collection and Disclosure Practices did not contain all of the information required by this statute.
- (2) The examiners found one violation of § 38.2-604 C of the Code of Virginia. The company's short form Notice of Information Collection and Disclosure Practices did not contain all of the information required by this statute.
- (3) The examiners found two violations of § 38.2-604.1 of the Code of Virginia. The company's Notice of Financial Information Collection and Disclosure Practices did not contain all of the information required by the statute.
- (4) The examiners found four violations of § 38.2-610 A of the Code of Virginia. The AUD language in the company's cancellation notice did not include wording substantially similar to that of the prototype set forth in Administrative Letter 1981-16.

Statutory Vehicle Notices

- (1) The examiners found one violation of § 38.2-502 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions, or terms of the insurance policy. The Credit Score Disclosure notice on the application incorrectly advised the insured that a request for an update to his credit information may only be made once every twelve months.
- (2) The examiners found one violation of § 38.2-2210 A of the Code of Virginia. The company failed to include the 60-day Cancellation Warning notice on or attached to the first page of the application.
- (3) The examiners found one violation of § 38.2-2234 A of the Code of Virginia. The company's verbal script for the Credit Score Disclosure notice did not contain all the information required by this statute.

Statutory Property Notices

The examiners found one violation of § 38.2-2126 A of the Code of Virginia. The company's verbal script for the Credit Score Disclosure notice did not contain all the information required by this statute.

Other Notices

The examiners found two violations of § 38.2-517 A of the Code of Virginia. The company's glass claim procedure did not properly disclose the use of a Third Party Administrator.

LICENSING AND APPOINTMENT REVIEW

A review was made of new business private passenger automobile and homeowner policies to verify that the agent of record for those policies reviewed was licensed and appointed to write business for the company as required by Virginia insurance statutes. In addition, the agent or agency to which the company paid commission for these new business policies was checked to verify that the entity held a valid Virginia license and was appointed by the company.

Agent

The examiners found no violations in this area.

Agency

The examiners found no violations in this area.

REVIEW OF THE COMPLAINT-HANDLING PROCESS

A review was made of the companies' complaint-handling procedures and record of complaints to verify compliance with § 38.2-511 of the Code of Virginia.

The examiners found two violations of § 38.2-511 of the Code of Virginia. The companies failed to maintain a complete complaint register in compliance with this statute.

REVIEW OF PRIVACY AND INFORMATION SECURITY PROCEDURES

The Bureau requested a copy of the companies' information security program that protects the privacy of policyholder information in accordance with § 38.2-613.2 of the Code of Virginia.

The companies provided their information security procedures.

PART TWO – CORRECTIVE ACTION PLAN

Business practices and the error tolerance guidelines are determined in accordance with the standards set forth by the NAIC. Unless otherwise noted, a ten percent (10%) error criterion was applied to all operations of the companies, with the exception of claims handling. The threshold applied to claims handling was seven percent (7%). Any error ratio above these thresholds indicates a general business practice. In some instances, such as filing requirements, forms, notices, and agent licensing, the Bureau applies a zero tolerance standard. This section identifies the violations that were found to be business practices of Virginia insurance statutes and regulations.

General

Nationwide Mutual Fire Insurance Company and
Nationwide Property and Casualty Insurance Company shall:

Provide a Corrective Action Plan (CAP) with their response to the Report.

Rating and Underwriting Review

Nationwide Mutual Fire Insurance Company and
Nationwide Property and Casualty Insurance Company shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) Complete and submit to the Bureau the enclosed file titled "Rating Overcharges Cited during the Examination." By returning the completed file to the Bureau, the

- companies acknowledge that they have refunded or credited the overcharges listed in the file.
- (4) Include accurate information in the policy by listing only those endorsements that are applicable to the policy on the declarations page.
 - (5) Properly represent stacking of Medical Expense coverage limits and applicable discounts on the declarations page.
 - (6) Properly represent the benefits, coverage, advantages, and conditions of the policy.
 - (7) Properly represent the Customizing Equipment coverage by not requiring a signed notice that restricts the policy provisions in the Standard Auto form in Virginia.
 - (8) Provide a written AUD notice to an insured when the policy premium is affected by a new surcharge for accidents and/or convictions.
 - (9) Require agents to retain all new business applications for three years as directed by § 38.2-1809 B of the Code of Virginia.
 - (10) Use the rules and rates on file with the Bureau. Particular attention should be focused on the use of filed discounts, surcharges, points for accidents, and convictions, symbols, tier eligibility, driver classification factors, territory, correct base and/or final rates, and correct credit score information.
 - (11) Update the insured's credit information at least once in a three year period or when requested by the insured.
 - (12) Use credit information that was obtained within 90 days of writing a new business policy.

Termination Review

Nationwide Mutual Fire Insurance Company and
Nationwide Property and Casualty Insurance Company shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) Complete and submit to the Bureau the enclosed file titled "Termination Overcharges Cited during the Examination." By returning the completed file to the Bureau, the companies acknowledge that they have refunded or credited the overcharges listed in the file.
- (4) Calculate earned premium according to the filed rules and policy provisions.
- (5) Retain proof of mailing cancellation notices to the lienholder.
- (6) Send the cancellation notice for a policy insuring a private passenger automobile at least 45 days before the effective date of cancellation when the notice is mailed after the 59th day of coverage.
- (7) Provide proper notice to the lienholder when canceling or nonrenewing a policy.
- (8) Obtain a record of the change in the deed of trust indicating the sale of the insured property when cancellation is due to foreclosure.
- (9) Send the cancellation notice for an owner-occupied dwelling policy at least 30 days before the effective date of cancellation when it is mailed after the 89th day of coverage.
- (10) Provide the insured notice of his right to have the termination of his policy reviewed by the Commissioner of Insurance.
- (11) Provide the insured a notice when the company cancels or nonrenews the policy.

- (12) Cancel policies only for the reasons permitted by the statute.
- (13) Include the cancellation effective date in the cancellation notice.

Claims Review

Nationwide Mutual Fire Insurance Company and
Nationwide Property and Casualty Insurance Company shall:

- (1) Correct the errors that caused the underpayments and overpayments and send the amount of the underpayment to insureds and claimants.
- (2) Include six percent (6%) simple interest in the amount paid to the insureds and claimants.
- (3) Complete and submit to the Bureau the enclosed file titled "Claims Underpayments Cited during the Examination." By returning the completed file to the Bureau, the companies acknowledge that they have paid the underpayments listed in the file.
- (4) Properly document claim files so that all events and dates pertinent to the claim can be reconstructed.
- (5) Document the claim file that all applicable coverages have been discussed with the insured. Particular attention should be given to Medical Expense Benefits coverage, Transportation Expenses coverage, Uninsured Motorists coverage including rental benefits, Additional Living Expense coverage, replacement cost benefits under Dwelling and Personal Property coverages, and Additional Coverages.
- (6) Acknowledge correspondence that reasonably suggests a reply is expected from insureds and claimants within ten business days.
- (7) Make all claim denials in writing and keep a copy in the claim file.
- (8) Provide copies of vehicle repair estimates prepared by or on behalf of the

- company to insureds and claimants.
- (9) Properly represent pertinent facts or insurance provisions relating to the coverage at issue.
 - (10) Adopt and implement standards for prompt investigation of claims.

Forms Review

Nationwide Mutual Fire Insurance Company and
Nationwide Property and Casualty Insurance Company shall:

- (1) Use the precise language of the standard automobile forms as adopted by the Bureau.
- (2) Use the required Reinstatement of Insurance and the Suspension of Insurance forms adopted by the Bureau.
- (3) File all homeowner forms with the Bureau at least 30 days prior to use.
- (4) Include replacement cost provisions in homeowner forms as required by the statute.

Review of Policy Issuance Process

Nationwide Mutual Fire Insurance Company and
Nationwide Property and Casualty Insurance Company shall:

- (1) Provide the Important Information to Policyholders notice to insureds at renewal.
- (2) Provide the Notice of Information Collection and Disclosure Practices to insureds at renewal.
- (3) Provide the Notice of Financial Information Collection and Disclosure Practices to insureds at renewal.
- (4) Prominently display the type of insurer in the policy.

Review of Statutory Notices

Nationwide Mutual Fire Insurance Company and
Nationwide Property and Casualty Insurance Company shall:

- (1) Amend the long form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 B of the Code of Virginia.
- (2) Amend the short form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 C of the Code of Virginia.
- (3) Amend the Notice of Financial Information Collection and Disclosure Practices to comply with § 38.2-604.1 of the Code of Virginia.
- (4) Amend the language within the AUD notice to be substantially similar to the prototype set forth in Administrative Letter 1981-16.
- (5) Provide the 60-day Cancellation Warning notice on or attached to the first page of the application to comply with § 38.2-2210 A of the Code of Virginia.
- (6) Properly represent when the insured can request an update to his credit information at the time of application.
- (8) Amend the Insurance Credit Score Disclosure notice to comply with § 38.2-2234 A 1 of the Code of Virginia.
- (9) Amend the Insurance Credit Score Disclosure verbal script notice to comply with § 38.2-2126 A 1 of the Code of Virginia.
- (10) Amend the verbal glass script to comply with § 38.2-517 of the Code of Virginia.

Review of the Complaint-Handling Process

Nationwide Mutual Fire Insurance Company and
Nationwide Property and Casualty Insurance Company shall:

Maintain a complete complaint register that is in compliance with § 38.2-511 of the Code of Virginia.

PART THREE – RECOMMENDATIONS

The examiners also found violations that did not appear to rise to the level of business practices by the companies. The companies should carefully scrutinize these errors and correct the causes before these errors become business practices. The following errors will not be included in the settlement offer:

RECOMMENDATIONS

We recommend that the companies take the following actions:

Rating and Underwriting

- The companies should research why its computer systems are reporting new business with a lapse in coverage as renewal business.
- The companies should ensure the homeowner declarations page correctly indicates the subject of insurance by listing the correct street address for the insured location.

Termination

- The companies should cease providing coverage past the expiration date of the policy if payment is not received from the insured to renew their policy.
- The companies should omit the right to review on cancellation notices where the policy has been in effect less than 90 days.

Claims

- The companies should offer the insured an amount that is fair and reasonable as shown by the investigation of the claim and pay the claim in accordance with the insured's policy provisions.
- The companies should include a correct statement of coverage under which payments are made with all claim payments made to insureds.
- The companies should remove the statute of limitations statement regarding replacement cost provisions when it is not applicable to the claim.

- The companies should implement standards to prevent including incorrect information in written letters, checks, and estimates. Particular attention should be given to incorrect company names, incorrect dates of loss, incorrect insured/claimant names, incorrect claim numbers, and incorrect coverage names.
- The companies should use the term “Other than Collision” instead of “Comprehensive” to identify the appropriate coverage in the policy.
- The companies should not limit the time period for rental reimbursement when delays to completing the total loss settlement paperwork is out of the insured’s or claimant’s control.
- The companies should ensure all check payments have a payee name.
- The companies should use the term “Medical Expense Benefits” instead of “Personal Injury Protection (PIP)” when adjusting claims occurring in Virginia.

SUMMARY OF PREVIOUS EXAMINATION FINDINGS

The Bureau conducted three prior market conduct examinations of Nationwide Mutual Fire Insurance Company and one prior market conduct examination of Nationwide Property and Casualty Insurance Company.

During the private passenger auto and homeowner examination of Nationwide Mutual Fire Insurance Company as of December 31, 2003, the company violated §§ 38.2-317 A and 38.2-510 A 10 of the Code Virginia, as well as 14 VAC 5-400-30, 14 VAC 5-400-40 A, 14 VAC 5-400-70 A, and 14 VAC 5-400-70 D of the Virginia Administrative Code. A cease and desist order was entered by the State Corporation Commission against the company in case number INS-2006-00100.

During the private passenger auto and homeowner examination of Nationwide Mutual Fire Insurance Company as of March 31, 2001, the company violated §§ 38.2-304, 38.2-510 A 1, 38.2-604, 38.2-1318, 38.2-1822, 38.2-1833, 38.2-1906 D, 38.2-2014, 38.2-2113, 38.2-2114, 38.2-2120, 38.2-2124, 38.2-2202, 38.2-2208, 38.2-2210, and

38.2-2220 of the Code of Virginia, as well as 14 VAC 5-400-30 and 14 VAC 5-400-70 D of the Virginia Administrative Code. A cease and desist order was entered by the State Corporation Commission against the company in case number INS-2003-00012.

The Bureau conducted a market conduct examination of Nationwide Mutual Fire Insurance Company and Nationwide Property and Casualty Insurance Company's private passenger auto, homeowner, dwelling fire, commercial automobile, commercial property, general liability, workers' compensation, Virginia Automobile Insurance Plan, and Commercial Automobile Insurance Plan lines of business as of December 31, 1995. During the examination, Nationwide Mutual Fire Insurance Company violated §§ 38.2-231, 38.2-317, 38.2-510 A 1, 38.2-510 A 10, 38.2-1904, 38.2-1905, 38.2-1906, 38.2-2014, 38.2-2113, 38.2-2114, 38.2-2119, 38.2-2212, and 38.2-2220 of the Code of Virginia, as well as 14 VAC 5-400-30, 14 VAC 5-400-40 A, 14 VAC 5-400-50 D, 14 VAC 5-400-60 B, 14 VAC 5-400-70 A, 14 VAC 5-400-70 D, and 14 VAC 5-400-80 D of the Virginia Administrative Code. Nationwide Property and Casualty Insurance Company violated §§ 38.2-231, 38.2-304, 38.2-317, 38.2-510 A 1, 38.2-510 A 10, 38.2-1904, 38.2-1906, 38.2-2014, and 38.2-2220 of the Code of Virginia, as well as 14 VAC 5-400-30, 14 VAC 5-400-40 A, 14 VAC 5-400-50 D, 14 VAC 5-400-70 A, 14 VAC 5-400-70 D, and 14 VAC 5-400-80 D of the Virginia Administrative Code. A cease and desist order was entered by the State Corporation Commission against both companies in case number INS-98-0007.

ACKNOWLEDGEMENT

The courteous cooperation extended by the officers and employees of the companies during the course of the examination is gratefully acknowledged.

Sincerely,

A handwritten signature in black ink, reading "Andrea Baytop", enclosed in a thin black rectangular border.

Andrea D. Baytop
Senior Insurance Market Examiner

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



P.O. BOX 1157
RICHMOND, VIRGINIA 23218
TELEPHONE: (804) 371-9741
TDD/VOICE: (804) 371-9206
www.scc.virginia.gov/boi

August 14, 2013

VIA UPS 2nd DAY DELIVERY

Cheryl Davis, MCM, AIRC, ACS
Market Conduct Director
Nationwide Insurance
One Nationwide Plaza, 1-35-102
Columbus, OH 43215

Re: Market Conduct Examination
Nationwide Mutual Fire Insurance Company (NAIC # 23779)
Nationwide Property and Casualty Insurance Company (NAIC # 37877)
Examination Period: April 1, 2011 through March 31, 2012

Dear Ms. Davis:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of the above referenced companies for the period of April 1, 2011, through March 31, 2012. The preliminary examination report (Report) has been drafted for the companies' review.

Enclosed with this letter is a copy of the preliminary examination report and copies of review sheets that have been withdrawn or revised since July 1, 2013. Also enclosed are several reports that will provide you with the specific file references for the violations listed in the report.

Since there appears to have been a number of violations of Virginia insurance laws on the part of the companies, I would urge you to closely review the report. Please provide a written response. When the companies respond, please use the same format, (headings and numbering) as found in the Report. If not, the response will be returned to the companies to be put in the correct order. By adhering to this practice, it will be much easier to track the responses against the Report. The companies do not need to respond to any particular item with which they agree. If the companies disagree with an item or wish to further comment on an item, please do so in Part One of the Report. Please be aware that the examiners are unable to remove an item from the report or modify a violation unless the companies provide written documentation to support their position.

Secondly, the companies should provide a corrective action plan that addresses all of the issues identified in the examination, again using the same headings and numberings as are used in the Report.

Thirdly, if the companies have comments they wish to make regarding Part Three of the Report, please use the same headings and numbering for the comments. In particular, if the examiners identified issues that were numerous but did not rise to the level of a business practice, the companies should outline the actions they are taking to prevent those issues from becoming a business practice.

Ms. Davis
August 14, 2013
Page 2

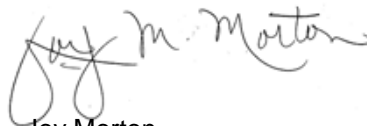
Finally, we have enclosed an Excel file that the companies must complete and return to the Bureau with the companies' response. This file lists the review items for which the examiners identified overcharges (rating and terminations) and underpayments (claims).

The companies' response and the spreadsheet mentioned above must be returned to the Bureau by September 23, 2013.

After the Bureau has received and reviewed the company's response, we will make any justified revisions to the report. The Bureau will then be in a position to determine the appropriate disposition of the market conduct examination.

We look forward to your reply by September 23, 2013.

Sincerely,

A handwritten signature in cursive script that reads "Joy M. Morton".

Joy Morton
Supervisor
Market Conduct Section
Property & Casualty Division
(804) 371-9540
joy.morton@scc.virginia.gov

Enclosures



Cheryl L. Davis, MCM, ACS, AIRC
Senior Compliance Director

October 22, 2013

Joy Morton
Supervisor, Market Conduct Section
Property and Casualty Division
Virginia Bureau of Insurance
P.O. Box 1157
Richmond, VA 23218

RE: Market Conduct Exam Draft Report Response on Nationwide Property & Casualty
Insurance Company and Nationwide Mutual Fire Insurance Company

Dear Ms. Morton:

On behalf of the Nationwide Property & Casualty Insurance Company and Nationwide Mutual Fire Insurance Company ("Company"), please allow this letter and the following enclosures to serve as our response to the Market Conduct Examination Draft Report ("Report") as of August 14, 2013. We have reviewed the Report and respectfully submit the following for your consideration:

1. This letter to accept the Report
2. Draft Report Response and Exhibits
3. Remediation Excel File

We have organized our response in relation to the findings set forth in the Report. Please note for Part One, we have only provided responses for those items for which the Company respectfully disagrees. Part Two, the Corrective Action Plan for all of the acknowledged items, is at the end of this response document.

If you have any questions or concerns, please feel free to contact me by email at davisc60@nationwide.com or via telephone at (614) 249-4580.

Sincerely,

A handwritten signature in blue ink that reads "Cheryl L. Davis".

Cheryl L. Davis
Senior Compliance Director

Enclosures

Andrea Baytop

From: Joy Morton
Sent: Wednesday, October 23, 2013 4:15 PM
To: 'ROPERJ1@nationwide.com'; DAVISC60@nationwide.com
Cc: Andrea Baytop
Subject: FW: Nationwide Companies - Draft Report Response Submission
Attachments: VA NI MCE - Cover Letted Dated 10-22-13.pdf; Virginia NI Draft Exam Report - Company Response.pdf; Nationwide 2013 Restitution Spreadsheet.zip

Jeff:

I am returning the response to you all. We asked that you not include any personal identifiable information in the response. It is okay if this information is included in the exhibits. Every one of the claim responses include a claim number. Please review your response and remove ALL personal information. We should receive the amended response by Wednesday October 30th.

JOY

From: ROPERJ1@nationwide.com [<mailto:ROPERJ1@nationwide.com>]
Sent: Tuesday, October 22, 2013 5:39 PM
To: Joy Morton
Cc: DAVISC60@nationwide.com
Subject: Nationwide Companies - Draft Report Response Submission

Hi Joy,

On behalf of Cheryl Davis, provided below are the cover letter and Draft Report response documents for the Nationwide Property and Casualty Company and Nationwide Mutual Fire Insurance Company Market Conduct Exam . In addition to this email, you should receive 6 additional emails in order to provide you with all the exhibits.

Please confirm receipt of this and the following emails.

Thank you,

Jeff



Jeffrey W. Roper, CPCU, MCM
Consultant and Member, Market Conduct Group
Office of Compliance | Nationwide
One Nationwide Plaza, 1-35-102
Columbus, Ohio 43215
W 614-249-1264 | F 855-399-3570
roperj1@nationwide.com

Nationwide Mutual Insurance Company and its subsidiaries (Nationwide) consistently assert claims of confidentiality and trade secret whenever this type of information is submitted to the Virginia Bureau of Insurance under Va. Code Ann. section 38.2-221.1. Such information could be used to cause competitive harm if supplied to Nationwide's competitors. It is the position of Nationwide that all of the information contained in this letter and the responses attached hereto are the confidential, proprietary and trade secret property of Nationwide, and are submitted to the Virginia Bureau of Insurance solely under this condition.

**MARKET CONDUCT EXAMINATION REPORT
RESPONSE
AND CORRECTIVE ACTION PLAN
OF
NATIONWIDE PROPERTY AND CASUALTY
INSURANCE COMPANY
AND
NATIONWIDE MUTUAL FIRE INSURANCE
COMPANY**

October 22, 2013

PART ONE - THE EXAMINERS' OBSERVATIONS

RATING AND UNDERWRITING REVIEW

Automobile New Business Policies

1. The examiners found 42 violations of § 38.2-305 A of the Code of Virginia. The Company failed to specify in the insurance policy accurate information required by the statute. The Company listed the Customizing Equipment Coverage endorsement on the declarations page when it was not applicable to the policy.

Company Response: Endorsement 3230 sets forth an applicable condition to the insurance contract limiting the application of Exclusion 9 of Part A of the policy. Endorsement 3230A was approved by the Bureau pursuant to Section 38.2-2223 of the Virginia Insurance Code. The Bureau is permitted to approve forms that modify the standard form pursuant to Section 38.2-2218 when the endorsement provides coverages more favorable than those provided under the standard form. Endorsement 3230A provides coverages more favorable than that provided under the standard automobile insurance form for any policy insuring a van or pickup truck. This more favorable coverage applies when the insured owns and insures a pickup truck or van at the inception of the policy term or acquires a pickup truck or van during the policy term. Incorporating this endorsement under each policy expands coverage for any customer acquiring a van or pickup during the term of the policy without the necessity of making a mid-term change to the insurance contract. The Company asserts, therefore, that Endorsement 3230A sets forth a valid

term and condition to the insurance policy and respectfully requests that these 42 violations be withdrawn.

3. The examiners found seven violations of § 38.2-1318 of the Code of Virginia. The Company failed to provide convenient access to the files, documents, and records relating to the examination. The Company failed to provide a copy of the new business application.

Company Response: The Company respectfully requests that violation R&UNBPPA1843469996 be withdrawn. The referenced policy was written through our direct sales unit and the Company provided the audio file (recorded phone call) where the customer acknowledges coverages and limit selections. Attached for your review is the Exhibit Audio 1.

The Company respectfully requests that violation R&UNBPPA260717338 be withdrawn. As requested, please see Exhibit RU1 for a copy of the policy declaration for the original North Carolina auto policy that was cancelled July 5, 2011. The Virginia auto policy under review is an Inter-Regional Transfer (IRT) and was written as a result of a change in policy state. The insured was initially insured under a Nationwide auto policy in North Carolina and was IRT'd to Virginia on July 20, 2011 with a July 5, 2011 inception date. Also included for your reference is a screen print of the 79A screen showing the July 5, 2011 cancellation date for the North Carolina policy.

The Company respectfully requests that violation R&UNBPPA1776139540 be withdrawn. The policy under review was an inter-regional transfer (IRT) from Pennsylvania. The Company does not require a new application since these are considered existing renewal customers and are not subject to the

60-day underwriting period. As requested, a copy of the insured's prior declarations page for the Pennsylvania policy is included in Exhibit RU2.

4. The examiners found 23 violations of § 38.2-1906 D of the Code of Virginia. The Company failed to use the rules and/or rates on file with the Bureau.
 - d. In three instances, the Company failed to use the correct tier eligibility criteria.

Company Response: The Company respectfully disagrees and requests that violation R&UNBPPA1216462969 be withdrawn. Driver #2 is listed as a non-driver on the application. For the Rated Threshold classifications only drivers on the policy are applied. Rated threshold is not a household rating variable. In addition, for the Household Composition Factors only drivers that are rated as a principle or occasional on at least one Standard/Preferred Nationwide or Allied policy are considered in the number of driver and vehicle counts. The manual rules pertaining to Prior BI Limits and Household Composition are included in Exhibit RU3. Also included in Exhibit RU3 are screen prints of the inception date, drivers and vehicle information requested in a follow-up request.

The Company respectfully requests that the violation for review sheet R&UNBPPA-557524533 be withdrawn. Please see Exhibit 557524533-RPA002 for evidence of the multi-car indicator on the policy.

- g. In one instance, the company failed to use the correct uninsured motorist rates.

Company Response: The Company respectfully requests that the violation R&UNBPPA-573622177 be withdrawn. Please see Exhibit “573622177-RPA001” for the supporting evidence. The review sheet indicates the Company applied an incorrect base rate to the UM coverage. The exhibit contains page 102 from our 2011 manual. The correct base rate of \$38.10 is highlighted for the Bureau’s review. The base rate referred to as the correct base rate within the review sheet is the base rate for additional vehicles added to the policy.

- h. In five instances, the Company failed to use proper credit score information when rating a policy.

Company Response: The Company respectfully requests that violation R&UNBPPA1355247633 be withdrawn. Please see Exhibit RU4 for additional information.

Automobile Renewal Business Policies

- 1. The examiners found 57 violations of § 38.2-305 A of the Code of Virginia. The Company failed to specify in the insurance policy all of the information required by the statute.
 - a. In one instance, the Company failed to list the physical garaging location on the declarations page.

Company Response: The Company respectfully requests that violation R&URBPPA373039081 be withdrawn. For the policy term under review (December 17, 2011 – June 17, 2012) the mailing and garaging address were the same, therefore the information on the December 17, 2011 policy declaration is accurate. The mailing address was changed effective August 31, 2012, therefore the referenced garaging address was not shown on the policy declaration until the December 17, 2012 policy term. Included for your reference in Exhibit RU5 is a screen print of the WDX screen showing that the mailing address was removed from the policy effective August 31, 2012. Also included is a copy of the policy declaration for the December 17, 2012 policy term showing that the garaging address is being shown on the policy declaration when the address is different.

- b. In 56 instances, the Company listed the Customizing Equipment Coverage endorsement on the declarations page when it was not applicable to the policy.

Company Response: Endorsement 3230 sets forth an applicable condition to the insurance contract limiting the application of Exclusion 9 of Part A of the policy. Endorsement 3230A extends coverage more favorable than that provided under the standard form for any policy insuring a van or pickup truck and the form has been approved by the Bureau. This more favorable coverage applies when the insured owns an insured pickup or van at the inception of the policy term or acquires a pickup or van during the policy term. Incorporating this endorsement under each policy expands coverage for any customer acquiring a van or pickup

during the term of the policy without the necessity of making a mid-term change to the insurance contract. The Company asserts, therefore, that Endorsement 3230A sets forth a valid term and condition to the insurance policy, that this condition complies under Section 305A of the Virginia Insurance Code and respectfully requests that these 56 violations be removed from the policy.

4. The examiners found one violation of § 38.2-1318 of the Code of Virginia. The Company failed to provide convenient access to the files, documents, and records relating to the examination. The Company was unable to provide a copy of the declarations page applicable to the policy period.

Company Response: The Company respectfully requests violation R&URBPPA1357680466 be withdrawn. A copy of the requested documentation is included as Exhibit RU6.

5. The examiners found 49 violations of § 38.2-1906 D of the Code of Virginia. The Company failed to use the rules and/or rates on file with the Bureau.
 - a. In seven instances, the Company failed to use the correct discounts and/or surcharges.

Company Response: The Company respectfully requests that violation R&URBPPA1147236714 be withdrawn. Included for your reference in Exhibit RU7 is a copy of the insured's Victoria policy declaration for the September 11, 2010 to March 11, 2011 period showing that the insured was insured with Victoria Fire & Casualty Company under policy from September 11, 2010 to March 11,

2011, therefore the prior carrier rating of Titan/Victoria is correct. In addition, the insured does not qualify for the Advance Quote discount since the prior carrier was Victoria.

The Company respectfully requests that violation R&URBPPA1864645516 be withdrawn. The New Business Homeownership/Promise Discount applies if the customer owns a single, two, three, or four-family dwelling and does not currently have their home insured with Nationwide. The discount will remain on the policy for two terms. The manual rule does not state that eligibility for the New Business Homeownership Discount is dependant on a quote or declaration; therefore the Company does not keep quotes or a declaration page on file. Included for your reference in Exhibit RU8 are the rate factor reports for all three policy terms showing that the discount was applicable at new business (May 2, 2011 – November 2, 2011), remained on the policy for the second policy term under review (November 2, 2011 – May 2, 2012) and appropriately removed at the third policy term (May 2, 2012 – November 2, 2012).

- b. In six instances, the Company failed to apply the correct surcharge points for accidents and/or convictions.

Company Response: The Company respectfully requests that violation R&URBPPA119732695 be withdrawn. Exhibit RU9 contains copies of screen prints from the Company's claims CLASS system verifying the details of the accident and validating that it was appropriately surcharged.

- g. In one instance, the Company failed to use the correct base and/or final rates.

Company Response: The Company respectfully requests that violation R&UNBPPA767257598 be withdrawn. Included for your reference in Exhibit RU10 is the February 22, 2011 to May 17, 2011 declaration page showing five drivers in the household at the same address as the policy under review.

Homeowners New Business Policies

1. The examiners found seven violations of § 38.2-1906 D of the Code of Virginia. The Company failed to use the rules and/or rates on file with the Bureau.
 - a. In five instances, the Company failed to use the correct discounts and/or surcharges.

Company Response: The Company respectfully requests that violation R&UNBHO1899477031 be withdrawn. To qualify for the Claims Free discount the customer must be claims free for five or more years. For the policy period under review (March 7, 2012 to March 7, 2013) the referenced policy was not eligible for the Claims Free discount due to a water loss on September 25, 2008. At policy inception the agency indicated on the application 3 prior losses. Attached for your reference in Exhibit RU11 is the application showing 3 prior losses and a screen print of the KKF screen showing prior loss history. Note that the losses occurring on August 27, 2011 and February 21, 2011 were not used in rating since both losses were identified as catastrophe related losses.

- c. In one instance, the Company failed to interpolate the premium correctly.

Company Response: The Company respectfully requests that violation R&UNBHO1670188893 be withdrawn. Included for your reference in Exhibit RU12 is a manual rating worksheet showing how the interpolation of the Amount of Insurance Coverage rating factor was calculated.

Homeowners Renewal Business Policies

1. The examiners found one violation of § 38.2-305 A of the Code of Virginia. The Company failed to specify in the insurance policy accurate information required by the statute. The Company failed to show the correct address on the declarations page.

Company Response: The Company respectfully disagrees with the Observation of the Bureau. The referenced statute specifies the required content of policies and does not set forth a requirement for any information that must be listed on the policy declarations page. The referenced insurance policy properly lists the parties to the contract, the subject of insurance, the risks insured against, the premium and the policy effective date and lists all forms and endorsements that are applicable to the policy as required under Section 38.2-305. The residence premises information listed on the declarations page of the policy includes the correct street number, street name, city and zip code. The Company understood the location of the insured property and nature of the risk insured at the residence premises and the risk was properly priced in compliance with the Company's filed rating plan from a territorial rating perspective, which

is based on county and zip code, not street name. Likewise the policyholders never have had any misunderstanding as to the property insured under the policy and the Company against whom claims should be submitted. The policyholders have been customers of the Company since 1986 and neither the Company nor the policyholders have ever experienced confusion or difficulty in determining the property that is the subject of insurance under this policy. Therefore, the Company respectfully submits that all content required under Section 38.2-305 has been included under the referenced policy and the Company, therefore, requests that this Observation be withdrawn from the Report.

3. The examiners found 56 violations of § 38.2-1906 D of the Code of Virginia. The Company failed to use the rules and/or rates on file with the Bureau.
 - a. In 42 instances, the Company failed to use the correct discounts and/or surcharges.

Company Response: For R&URBHO311406992, the Company respectfully asserts that it applied the correct discounted rate factor in compliance with its filed rating plan and Section 1906D of the Virginia Insurance Code. The Company applied a .74 rating factor based upon the customer's 0 claim points and 19 continuous years of residential property insurance with Nationwide. The referenced policy has been in force with Nationwide since November 30, 2000. However, the insured had a prior condo policy continuously in force with the Company since 1992 as established under the documentation set forth under Exhibit RU14. Therefore, the Company provided the correct discounted rating factor in

compliance with its filed rating plan and the Bureau's position would result in charging the insured for a higher premium than justified by the documented policy record. Therefore, the Company respectfully requests that the alleged violation be removed from the report.

R&URBHO2028797374 – The Company respectfully asserts that it applied the correct discounted rate factor in compliance with its filed rating plan and Section 1906D of the Virginia Insurance Code. The Company applied a .74 rating factor based upon the customer's 0 claim points and 19 continuous years of residential property insurance with the Company. The referenced policy has been in force with the Company since December 09, 2002. However, the insured had a prior Virginia tenant and North Carolina homeowner policy continuously in force with the Company since 1992 as established under the documentation set forth under Exhibit RU15. Therefore, the Company provided the correct discounted rating factor in compliance with its filed rating plan and the Bureau's position would result in charging the insured for a higher premium than justified by the documented policy record. Therefore, the Company respectfully requests that the alleged violation be removed from the report.

The Company respectfully requests that violation R&URBHO822852270 be withdrawn. Please see Exhibit RU16 for additional information.

The Company respectfully requests that violation R&URBHO553536072 be withdrawn. The referenced policy was

written effective May 4, 2009 as a transfer with no change in location address, therefore the Home Purchase discount is not applicable. Included for your reference in Exhibit RU17 is a screen print of the EDR screen for the referenced policy indicating that the home was purchased November 1996 and the Historical Master Record Printout of the prior policy showing the same address and the second page provides the history log going back to November 1996 and the May 4, 2009 cancellation date.

The Company respectfully disagrees and requests that violation R&URBHO647551098 be withdrawn. The Company does not utilize data set forth in the Home Purchase Date field in determining whether or not to apply this discount. The application of the Home Purchase discount is based on the agency indicating a 'Y' in the Home Purchase field. In discussing with the agency they indicated that the November 2010 date was likely entered based on the purchase date of the policy. To validate the home purchase date the Company utilized the county real estate assessment website, which indicates that the insured has owned the home since 2003, making the Home Purchase discount not applicable for the referenced policy. For your reference the information from the real estate assessment website is provided in Exhibit RU18.

The Company respectfully requests that violation R&URBHO282529904 be withdrawn. The policy under review was cancelled December 28, 2011 and moved to a historical status (information removed from system) on July 16, 2012, therefore the policy information is no longer available on our system. The Company has available a historical Policy Master Record Printout

(MRPO) report that captures basic policy data, including the information requested (home renovation information and prior insurance). Included for your reference in Exhibit RU19 is the historical MRPO highlighting the renovation information (plumbing updated in 2010 and roof in 2005) and Prior Insurance rating (five years with prior carrier). Also included for your reference is a manual premium breakdown showing the appropriate rating for RHO124.

- c. In one instance, the Company failed to use the correct public protection class.

Company Response: The Company respectfully requests that violation R&URBHO2081523121 be withdrawn. For the policy period under review (February 5, 2012 – February 5, 2013) the referenced policy was rated as a PPC 8. The GIS risk information tool indicates that the responding fire district for this risk location is Wise. For your reference, the GIS risk information for the dwelling location and the ISO information for the county are included in Exhibit RU20, which indicates a PPC rating of 6/9. The Company's policy file information indicates that there is a fire hydrant within 1000 feet; therefore a PPC rating of 6 is applicable. Subsection 1906D provides that the insurer must make or issue insurance contracts in accordance with the rate filings that are in effect. The rating factor for PPC 6 and PPC 8 risks are identical and, therefore, the Company issued this insurance contract in accordance with the applicable rate filings. There has been no undercharge or overcharge of premium and no violation of Subsection 1906D.

- d. In five instances, the Company failed to use proper credit score information when rating a policy.

Company Response: The Company respectfully requests that violations R&URBHO1094067793, R&URBHO642348613, R&URBHO1284782046, R&URBHO1044429307, and R&URBHO1358174837 be withdrawn. Please see Exhibit RU21 for additional information.

TERMINATION REVIEW

Company -Initiated Cancellations – Automobile Policies

NOTICE MAILED PRIOR TO THE 60TH DAY OF COVERAGE

The examiners found four violations of § 38.2-1906 D of the Code of Virginia. The Company failed to use the rules and/or rates on file with the Bureau. The Company failed to calculate the return premium correctly.

Company Response: The Company respectfully requests that violation TermFst60PPA1775040083 be removed. The term premium for this policy is \$642.10 for a term running from October 13, 2011 - February 2, 2012. The policy cancelled on October 14, 2011 which leaves 122 unearned days in the policy term and a prorate factor of .33. The prorate factor is calculated by dividing the number of days remaining on the policy by the number of days in one policy term, rounded to four decimals. The number of days remaining on the policy is the difference between the next renewal date and the effective date of the change. The number of days in one term is 182 for a 6-month policy. The prorated premium earned on the term premium is calculated as follows:
$$\$642.10 \times .33 = \$211.89 \text{ which was truncated to } \$212.00. \quad \$212.00 - \$112.01 - \$112.02 + 15.00 \text{ (3 installment payments)} = \text{a write off amount of } \$2.97.$$

The Company respectfully requests that violation TermFst60PPA198812952 be withdrawn. The term premium for this policy was \$534.80 with a term running from September 23, 2011 - March 23, 2012. The policy cancelled on November, 29, 2011 so the number of unearned days is 115, which leaves the prorated earned factor to be 0.368. The prorate factor is calculated by dividing the number of days remaining on the policy by the number of days in one policy term, rounded to four decimals. The number of days remaining on the policy is the difference between the next renewal date and the effective date of the change. The number of days in one term is 182 for a 6-month policy. Prorated earned on the term premium is calculated as follows: $\$534.80 \times 0.368 = \196.81 truncated to \$196.70. Since no payment was received within 5 business days of the due date no late fee may be assessed. $\$196.70 - 94.13 - 95.00 + 10.00$ (two 5.00 installment fees) = \$17.57.

The Company respectfully requests that violation TermFst60PPA2119049250 be withdrawn. The term premium for this policy was \$396.20 with a term running from February, 26, 2011 to August 26, 2011. It cancelled on April 11, 2011, so the number of unearned days is 137 or a factor of .753 leaving the prorated earned factor to be .247. The prorate factor is calculated by dividing the number of days remaining on the policy by the number of days in one policy term, rounded to four decimals. The number of days remaining on the policy is the difference between the next renewal date and the effective date of the change. The number of days in one term is 182 for a 6-month policy. Prorate earned on the term premium is calculated as follows: $\$396.20 \times .247 = \97.86 which was truncated to \$97.80. The prorated earned premium on the \$15.00 filing fee is calculated as follows: $\$15.00 \times .247 = \3.70 , ($\$97.80 + \$3.70 = \$101.50$ total earned premium). There were two policies on this billing account 5373491603 (auto and life). The

payments received toward the auto policy were \$71.03 on February 5, 2011 and \$71.03 on March 28, 2011. The \$13.97 balance of the \$85.00 payment received on March 28, 2011 was for the life policy and therefore can not be taken into consideration when calculating the amount of refund due the insured. The Company received \$142.06 in payments toward the auto policy. After subtracting out the earned premium of \$101.50 and the total of \$15.00 in installment fees, this leaves a credit in the amount of \$25.56 which was refunded to the insured. Account billing statements and transaction records are provided for your review as TermFst60PPA2119049250 Exhibit A.

The Company respectfully requests that violation TermFst60PPA2006719724 be withdrawn. The term premium for this policy was \$564.70 with a term running from May 12, 2011 – November 12, 2011. The policy cancelled on 8/5/11 so the number of unearned days in the policy term is 99, therefore the prorated earned factor is 0.456. The prorate factor is calculated by dividing the number of days remaining on the policy by the number of days in one policy term, rounded to four decimals. The number of days remaining on the policy is the difference between the next renewal date and the effective date of the change. The number of days in one term is 182 days for a 6 month policy. The prorated earned premium on the term premium is calculated as follows: $\$564.70 \times 0.456 = \257.50 . There was a balance owed before the May 12, 2011 policy term began of \$79.97. A payment of 157.58 was also applied to this policy on May 12, 2011. Since no payment was received within 5 business days of the due date no late fee may be assessed. $\$257.50 + 79.97$ (prior term balance) - 157.58 + 5.00 (one 5.00 installment fee) = \$184.89.

NOTICE MAILED AFTER THE 59TH DAY OF COVERAGE

1. The examiners found two violations of § 38.2-1906 D of the Code of Virginia. The Company failed to use the rules and/or rates on file with the Bureau. The Company failed to calculate the return premium correctly.

Company Response: The Company respectfully requests that violation TermOvr60PPA261692382 be withdrawn. The term premium for this policy was \$1138.70 with a term running from December 1, 2011 - June 1, 2012. The policy cancelled on March 30, 2011 with coverage provided for 119 days (adding a day for the leap year). The prorate factor is .654. Therefore, $\$1138.70 \times .654 = \744.70 , which rounds to \$745.00. \$745.00 plus \$20 in fees = \$765.00 – \$398.57 in payments (\$194.79 + 203.78) = \$366.43 write-off amount.

The Company respectfully requests that violation TermOvr60PPA1336010577 be withdrawn. The term premium for this policy was \$1235.30 with a term running from September 25, 2011 to March 25, 2012. The policy cancelled on January 4, 2012 so the number of unearned days is 81 which leaves a pro rate earned factor of 0.555. The prorate factor is calculated by dividing the number of days remaining on the policy by the number of days in one policy term, rounded to four decimals. The number of days remaining on the policy is the difference between the next renewal date and the effective date of the change. The number of days in one term is 182 days for a 6-month policy. The prorated earned premium on the term premium is calculated as follows: $\$1235.30 \times 0.555 = \685.59 which was truncated to \$685.62. $\$685.62 - 205.88 - 205.88 - 205.89 + 8.00$ (one 8.00 installment fee) = \$75.97. The late fee was reversed when the policy cancelled, and is no longer being charged. The fourth

payment of 205.88 was recalled and refunded back to the customer's bank account at their request on December 30, 2011. Documentation is provided as TermOvr60PPA1336010577 Exhibit A.

2. The examiners found two violations of § 38.2-2212 D of the Code of Virginia. The Company cancelled the insured's motor vehicle policy due to revocation or suspension of a driver's license that did not occur during the period of time allowed by the statute.

Company Response: The Company respectfully requests that violation TermOvr60PPA-1125005866 be withdrawn. While the MVR does indicate that the customer's license status was revoked in July of 1999 it also shows that a new license was issued on January 27, 2005 (the same day as the policy was issued). The insured's license was then reissued on September 27, 2005, in both cases the license was showing without restrictions. The MVR was on November 12, 2010, but did not trigger a review on the policy because it was too close to the January 27, 2011 renewal which is why the cancellation action occurred on the July 27, 2011 renewal. Documentation is provided as TermOvr60PPA-1125005866 Exhibit A validating the license status.

All Other Cancellations – Automobile Policies

NONPAYMENT OF THE PREMIUM

1. The examiners found nine violations of § 38.2-1906 D of the Code of Virginia. The Company failed to use the rules and/or rates on file with the Bureau. The Company failed to calculate the return premium correctly.

Company Response: The Company respectfully requests that violation TermNPPPA454161209 be withdrawn. The term premium for this policy was \$1015.30 with a term running from July 12, 2011 - January 12, 2012. The policy cancelled on August 9, 2011 so the number of unearned days is 156 or a factor of 0.857, leaving the prorated earned factor to be 0.143. The prorated factor is calculated by dividing the number of days remaining on the policy by the number of days in one policy term, rounded to four decimals. The number of days remaining on the policy is the difference between the next renewal date and the effective date of the change. The number of days in one term is 182 days for a 6-month policy. The prorated premium earned on the term premium is calculated as follows:
 $\$1015.30 \times 0.143 = \145.19 which was truncated to \$145.20. $\$145.20 + 187.77$ (prior term balance) + 30.00 (NSF fee) = \$362.97.

The Company respectfully requests that violation TermNPPPA1001690399 be withdrawn. The term for this policy was from February 26, 2011 - 8/26/11, with a term premium of 1058.20 from June 17, 2011 – August 11, 2011, and a term premium of 2025.50 from August 11, 2011 – December 17, 2011. The policy cancelled on November 21, 2011, so the number of unearned days is 35 or a factor of 0.192, leaving the prorated earned factor to be 0.808. The prorated factor is calculated by dividing the number of days remaining on the policy by the number of days in one policy term, rounded to four decimals. The number of days remaining on the policy is the difference between the next renewal date and the effective date of the change. The number of days in one term is 182 days for a 6-month policy. This 0.808 factor must be split between the time periods of difference premiums shown below (factor for the 1058.20 would be based on the unearned days at this premium 128 days with a factor of 0.703 so the prorated earned factor for this premium is 0.297).

The prorated earned premium on the term premium is calculated as follows:

$$\$1058.20 \times 0.297 = \$314.29$$

$$\$2025.50 \times 0.511 = \$1035.03$$

Total prorated earned premium = \$1349.32, truncated to \$1349.30.

$\$1349.30 - 181.36 - 181.37 - 191.37 + 50.00$ (four 5.00 installment fees + three 10.00 late fees) = \$845.20. The Company did not charge the fourth late fee as payment was not received within 5 business days of the due date of the last bill.

The Company respectfully requests that violation TermNPPPA482702094 be withdrawn. The term premium for this policy was \$406.90 with a term running from April 8, 2011 – October 8, 2011. The policy cancelled on August 5, 2011 so the number of unearned days is 64 or a factor of .352 leaving the prorated earned factor to be .648. The prorate factor is calculated by dividing the number of days remaining on the policy by the number of days in one policy term, rounded to four decimals. The number of days remaining on the policy is the difference between the next renewal date and the effective date of the change. The number of days in one term is 182 days for a 6-month policy. $\$406.90 \times .648 = \263.67 . The insured made total payments of \$213.45 leaving \$50.22 premium owed. Add two \$10 late fees for a total of \$70.22 truncated to \$70.35.

The Company respectfully requests that violation TermNPPPA1655908001 be withdrawn. The term premium for this policy was \$608.80 with a term running from April 13, 2011 to October 13, 2011. The policy cancelled on June 10, 2011, so the number of unearned days is 125 or a factor of 0.687 leaving the pro rate earned factor to be 0.313. The prorate factor is calculated by dividing the number of days remaining

on the policy by the number of days in one policy term, rounded to four decimals. The number of days remaining on the policy is the difference between the next renewal date and the effective date of the change. The number of days in one term is 182 for a 6-month policy. The prorated earned premium on the term premium is calculated as follows:

$\$608.80 \times 0.313 = \190.55 (there is a 0.15 difference as system charged \$190.40)

$\$190.40 - 106.47 + 5.00$ (one 5.00 installment fee) = \$88.93.

There is a late fee mentioned which was not charged and instead was reversed due to cancellation. The Company does not charge a late fee unless payment is received within 5 business days of the due date of the last bill.

The Company respectfully requests that violation TermNPPPA1121354020 be withdrawn. The term premium for this policy was \$276.90 with a term running from February 13, 201 – August 13, 2011. The policy cancelled on June 10, 2011 so the number of unearned days is 64 or a factor of 0.352 leaving the prorate earned factor to be 0.648. The prorate factor is calculated by dividing the number of days remaining on the policy by the number of days in one policy term, rounded to four decimals. The number of days remaining on the policy is the difference between the next renewal date and the effective date of the change. The number of days in one term is 182 days for a 6-month policy. The prorated earned premium on the term premium is calculated as follows: $\$276.90 \times 0.648 = \179.43 which was truncated to \$179.40. $\$179.40 - 51.15 - 51.15 - 51.15 + 15.00$ (three 5.00 installment fees) = \$40.95. The last fee was reversed when the policy cancelled, so it is no longer being charged. The Company does not charge a late fee unless payment is received within 5 business days of the due date of the last bill.

The Company respectfully requests that violation TermNPPPA825901593 be withdrawn. Only one declaration was sent to the customer between April 23, 2011 and the cancellation date of June 14, 2011 and it is provided for your review as "TermNPPPA825901593 Exhibit A".

The Company respectfully requests that violation TermNPPPA747923124 be withdrawn. The term premium for this policy was \$1024.80 with a term running from October 8, 2011 to April 8, 2012. The policy cancelled on March 8, 2012 so the number of unearned days is 31 or a factor of .17 leaving the prorated earned factor to be .83. The prorate factor is calculated by dividing the number of days remaining on the policy by the number of days in one policy term, rounded to four decimals. The number of days remaining on the policy is the difference between the next renewal date and the effective date of the change. The number of days in one term is 182 days for a 6-month policy. The prorated earned premium on the term premium is $\$1024.80 \times .83 = \850.58 . $\$850.50 - \$682.20 + \$30 \text{ NSF} = \198.38 (written off).

The Company respectfully requests that violation TermNPPPA89651457 be withdrawn. Billing transaction reports are provided for your review as TermNPPPA-89651457 Exhibit A.

The Company respectfully requests that violation TermNPPPA2098959999 be withdrawn. Billing transaction reports are provided for your review as TermNPPPA2098959999 Exhibit A.

REQUESTED BY THE INSURED

1. The examiners found five violations of § 38.2-1906 D of the Code of Virginia. The Company failed to use the rules and/or rates on file with the Bureau. The Company failed to calculate the return premium correctly.

Company Response: The Company respectfully requests that violation TermIRPPA1042051946 be removed. The requested declarations page is provided for your review as TermIRPPA1042051946 Exhibit A.

The Company respectfully requests that violation TermIRPPA413979377 be withdrawn. The term premium for this policy was \$1378.00 with a term running from August 28, 2011 - February 28, 2012. The policy cancelled on December 28, 2011 so the number of unearned days is 62 or a factor of .341 leaving the prorated earned factor to be .659. The prorated earned premium factor is .403 and the prorated earned amount is \$258. The prorate factor is calculated by dividing the number of days remaining on the policy by the number of days in one policy term, rounded to four decimals. The number of days remaining on the policy is the difference between the next renewal date and the effective date of the change. The number of days in one term is 182 days for a 6-month policy. The prorated earned premium on the term premium is $\$1378 \times .659 = 908.10$ plus \$40 in fees (five \$8 installment fees)= \$948.10. Premium collected from the member was \$950.67 and a refund was issued in the amount of \$2.69.

The Company respectfully requests that violation TermIRPPA1591232389 be withdrawn. The requested billing transaction reports are provided for your review as TermIRPPA1591232389 Exhibit A.

The Company respectfully requests that violation TermIRPPA1990836489 be withdrawn. The requested billing transaction reports with the required information are provided for your review as TermIRPPA1990836489 Exhibit A.

2. The examiners found one occurrence where the Company failed to comply with the provisions of the insurance policy. The Company failed to obtain advance written notice of the insured's request for cancellation.

Company Response: The Company respectfully requests that violation TermIRPPA-778477567 be withdrawn. The documentation validating the insured's request to cancel is provided for your review as TermIRPPA-778477567 Exhibit A.

Homeowners Policies

Company -Initiated Cancellations – Homeowners Policies

NOTICE MAILED AFTER THE 89TH DAY OF COVERAGE

1. The examiners found three violations of § 38.2-1906 D of the Code of Virginia. The Company failed to use the rules and/or rates on file with the Bureau.
 - a. In one instance, the Company failed to calculate the return premium correctly.

Company Response: The Company respectfully requests that violation TermOvr90HO438537056 be withdrawn. The declarations page that was issued May 12, 2011 is provided for your review as TermOvr90HO438537056 Exhibit A. The \$12 increase came from a change to the insured's personal status submitted by the agent with an effective date of May 12, 2011. The insured went from married status to separated status, which changed the factor from .95 to 1.00. Since the effective date of the change was prior to the renewal date the \$12 is for the period from May 12, 2011 – June 11, 2011.

- b. In two instances, the Company failed to send the refund to the insured.

The Company respectfully requests that violation TermOvr90HO392912071 be withdrawn. Documentation is provided that validates that the \$22 refund, check number 0053321974 was issued to the named insured on January 25, 2012. The documentation is provided as TermOvr90HO392912071 Exhibit A.

The Company respectfully requests that violation TermOvr90HO-2129010960 be withdrawn. A payment in the amount of \$1243 was received on February 16, 2012; this payment was applied to the billing account at the same time that the Company initiated the cancellation of the policy. The cancellation action prompted the system to immediately process and issue a refund of the recent payment to the insured on February 22, 2012 even though the effective date of the cancellation was March 20, 2012. The refund

generated on February 22, 2012 was never cashed and remained outstanding until December 24, 2012 when the customer contacted Nationwide to inquire about the refund. This inquiry prompted the reissuance of the refund. Supporting documentation of the payment receipt, refund issuance and customer contact to initiate another refund can be found in TermOvr90HO-2129010960 Exhibit A.

2. The examiners found four violations of § 38.2-2113 C of the Code of Virginia.
 - a. In two instances, the Company failed to provide proper notice of cancellation to the lienholder.

Company Response: The Company respectfully requests that violation TermOvr90HO937841794 be withdrawn. The proof of mailing to the lienholder is provided as TermOvr90HO937841794 Exhibit A.

The Company respectfully requests that violation TermOvr90HO1644421321 be withdrawn. The proof of mailing to the lienholder is provided as TermOvr90HO1644421321 Exhibit A.

- c. In one instance, the Company failed to retain a copy of the notice of cancellation to the insured.

Company Response: The Company respectfully requests that violation TermOvr90HO468038293 be withdrawn. The notice of cancellation is provided as TermOvr90HO468038293 Exhibit A.

3. The examiners found six violations of § 38.2-2114 A of the Code of Virginia.
 - b. In five instances, the Company cancelled a policy insuring an owner-occupied dwelling because of foreclosure and failed to obtain evidence of the sale of the property by a trustee under a deed of trust prior to cancelling the policy.

Company Response: The Company respectfully requests that violation TermOvr90HO1359658179 be withdrawn. The Company took cancellation action on this policy based on information provided to us by the mortgagee. A copy of the letter from the mortgagee dated January 24, 2012 in which they advised the Company of the change in risk due to the property foreclosure is provided as TermOvr90HO1359658179 Exhibit A. Additional documentation was secured from the county Clerk of Court's Office land records on February 27, 2013. This documentation sets real property sales transactional information including the recording date, parties to the transaction, legal description of the property and indicates that this particular property trustee's deed was recorded on January 20, 2012. This documentation confirms that the information received from the mortgagee was accurate and is provided as TermOvr90HO1359658179 Exhibit B. The Company's position is that the cancellation of the referenced policy was lawful and in compliance under Section 38.2-2114A-6 because the insured property had been sold by the trustee pursuant to a deed of trust relating to foreclosure proceedings in advance of the date the notice of cancellation was sent. The Bureau's Observation

expresses a preference for the development of Company documentation in support of such cancellations and the Company will utilize such procedures going forward. However, the Company respectfully submits that the Bureau's Observation does not amount to a violation of the referenced statute and the Company respectfully requests that the violation be withdrawn.

The Company respectfully requests that violation TermOvr90HO415598473 be withdrawn. The Company took cancellation action on this policy based on information provided to us by the mortgagee. Provided as TermOvr90HO415598473 Exhibit A is a copy of the letter from the mortgagee dated March 21, 2011 in which they advised the Company of the change in risk due to the property foreclosure. Additional documentation was secured from the county Clerk of Court's Office land records in December of 2012 (TermOvr90HO415598473 Exhibit B). This documentation sets real property sales transactional information including the recording date, parties to the transaction, legal description of the property and indicates that this particular property shows a deed record date of January 9, 2012. This documentation confirms that the information received from mortgagee was accurate. The Company's position is that the cancellation of the referenced policy was lawful and in compliance under Section 38.2-2114A-6 because the insured property had been sold by the trustee pursuant to a deed of trust relating to foreclosure proceedings in advance of the date the notice of cancellation was sent. The Bureau's Observation expresses a preference for the development of Company documentation in support of such cancellations and the Company will utilize such procedures going forward. However, the Company

respectfully submits that the Bureau's Observation does not amount to a violation of the referenced statute and the Company respectfully requests that the violation be withdrawn.

The Company respectfully requests that violation TermOvr90HO-1959081064 be withdrawn. The Company took cancellation action on this policy based on information provided to us by the mortgagee. Provided as TermOvr90HO-1959081064 Exhibit A is a copy of the letter from the mortgagee dated January 11, 2012 in which they advised the Company of the change in risk due to the property foreclosure, the policy was subsequently cancelled effective March 27, 2012.

Additional documentation was secured from the city Clerk of Court's Office land records on December 27, 2012. This documentation was secured using the city's online land records research engine ROAM, evidence of this is provided for your review as TermOvr90HO-1959081064 Exhibit B. This documentation sets real property sales transactional information including the recording date, parties to the transaction, legal description of the property and indicates that this particular property trustee's deed was recorded on December 19, 2011. This documentation confirms that the information received from the mortgagee was accurate. The Company's position is that the cancellation of the referenced policy was lawful and in compliance under Section 38.2-2114A-6 because the insured property had been sold by the trustee pursuant to a deed of trust relating to foreclosure proceedings in advance of the date the notice of cancellation was sent. The Bureau's Observation expresses a preference for the development of Company

documentation in support of such cancellations and the Company will utilize such procedures going forward. However, the Company respectfully submits that the Bureau's Observation does not amount to a violation of the referenced statute and the Company respectfully requests that the violation be withdrawn.

The Company respectfully requests that violation TermOvr90HO943855338 be withdrawn. The Company took cancellation action on this policy based on information provided to us by the mortgagee. Provided as TermOvr90HO943855338 Exhibit A is a copy of the letter from the mortgagee dated October 19, 2011 in which they advised the Company of the change in risk due to the property foreclosure.

Additional documentation was secured from the county Clerk of Court on December 7, 2012 and is provided as TermOvr90HO943855338 Exhibit B. This documentation sets real property sales transactional information including the recording date, parties to the transaction, legal description of the property and indicates that this particular property had a recorded forced sale on December 08, 2011. The Company then sent cancellation notification on December 16, 2011. This documentation confirms that the information received from the mortgagee was accurate. Nationwide's position is that the cancellation of the referenced policy was lawful and in compliance under Section 38.2-2114A-6 because the insured property had been sold by the trustee pursuant to a deed of trust relating to foreclosure proceedings in advance of the date the notice of cancellation was sent. The Bureau's Observation expresses a preference for the development

of Company documentation in support of such cancellations and the Company will utilize such procedures going forward. However, the Company respectfully submits that the Bureau's Observation does not amount to a violation of the referenced statute and the Company respectfully requests that the violation be withdrawn.

All Other Cancellations – Homeowners Policies

NONPAYMENT OF THE PREMIUM

1. The examiners found six violations of § 38.2-1906 D of the Code of Virginia. The Company failed to use the rules and/or rates on file with the Bureau. The Company failed to calculate the return premium correctly.

Company Response: The Company respectfully requests that violation TermNPHO1813571884 be withdrawn. The full policy premium is \$1,025 for coverage beginning on September 21, 2010. The policy was in force from September 21, 2010 – November 16, 2010, December 1, 2010 – May 27, 2011, and June 6, 2011 – August 1, 2011 for a total of 289 days (56,177 and 56). The earned factor is $289/365$ or .792. This generates an earned amount of $\$1,025 \times .792$ or \$811.80. During the policy period, the Company received payments totaling \$771.2 and earned two installment fees of \$5 and 3 late fees of \$10, totaling \$40. $\$812 + \$40 =$ a fully earned amount of \$852. $\$852 - \$771.28 = \$81.72$. Billing transaction reports are provided for your review as TermNPHO1813571884 Exhibit A. These reports include installment, debit/credit, payment, and write off detail.

The Company respectfully requests that violation TermNPHO1245409810 be withdrawn. The annual policy premium for the policy period beginning

on March 8, 2011 is \$624. The policy was in effect from March 8, 2011 - December 31, 2011 or 298 days out of 365 for an earned factor of .816. $\$624 \times .816 = \509.18 . During the policy period, the Company received \$454.20 in payments. \$30 dollars in fees were fully earned or 2 \$5 installment fees and 2 \$10 late fees. This brings the total earned figure to \$539.18. Return premium is calculated to the next higher whole dollar, therefore, $\$540 - \$454.20 = \$85.80$. Please see TermNPHO1245409810 Exhibit A which confirms the write off amount.

The Company respectfully requests that violation TermNPHO855257948 be withdrawn. Coverage was provided February 4, 2011 to July 1, 2011 or for 147 days. 365 days in a year minus 147 days of coverage equals 218 days where no coverage was provided. 218/365 provides an unearned premium factor of .597. .597 multiplied by the term premium of \$641 equals \$382.67 which rounds up to \$383. Subtracting the unearned policy premium of \$383 from the term premium of \$641 you have an earned premium of \$258. Then subtract the insured's 4 payments (March 9, 2011 \$170.26, May 11, 2011 \$57.30, July 11, 2011 \$109.61 July 18, 2011 \$35.44) totaling \$372.61 from the earned premium and the difference is \$114.61 which accounts for the \$109.61 refunds and the \$5 installment fee. A late payment fee of \$10.00 will only be assessed for any payment received five or more business days past the billing due date. The July 11, 2011 payment was received prior to the July 12, 2011 due date. Please refer to TermNPHO855257948 Exhibit A for payment documentation and TermNPHO855257948 Exhibit B which provides the general late payment fee rules effective July 15, 2009.

The Company respectfully requests that violation TermNPHO68136741 be withdrawn. Coverage was provided May 12, 2011 – October 8, 2011

which is 149 days. 365 days in a year minus 149 days of coverage equals 216 days where no coverage was provided. $216/365$ provides a unearned premium factor of .592. .592 multiplied by the term premium of \$1454 equals \$860.33 which rounds up to \$861 (please see the general rules of rounding premium, Exhibit A). Subtracting the unearned policy premium of \$861 from the term premium of \$1454 gives you an earned premium of \$593. When you then subtract the insured's payments of \$484.68 you are left with the write off amount of \$108.32. Please refer to Exhibit A which provides the general late payment fee rules effective July 15, 2009 which supports that a late payment fee will not be assessed unless the payment is received 5 or more business days past the due date. Since no payment was received within 5 business days of the due date no late may be assessed.

2. The examiners found one violation of § 38.2-2114 A of the Code of Virginia. The Company failed to send the cancellation notice to the name and/or address listed on the policy.

Company Response: The Company respectfully requests that violation TermNPHO2135843481 be withdrawn. The mailing and location address were updated on September 30, 2011 after discussion/confirmation with the agents office. A declaration was sent to the customer on September 30, 2011 confirming the mailing and location address and is provided as TermNPHO2135843481 Exhibit A. The cancellation notice (TermNPHO2135843481 Exhibit B) was issued on January 24, 2012 and sent to the corresponding address listed on the previous declarations page.

REQUESTED BY THE INSURED

1. The examiners found one violation of § 38.2-1318 of the Code of Virginia. The Company failed to provide convenient access to the files, documents, and records relating to the examination. The Company was unable to provide a copy of the declarations page applicable to the policy period in which the policy was terminated.

Company Response: The Company respectfully requests that violation TermIRHO1358430834 be withdrawn. The declarations page effective May 30, 2011 is provided as TermIRHO1358430834 Exhibit A.

2. The examiners found two violations of § 38.2-1906 D of the Code of Virginia. The Company failed to use the rules and/or rates on file with the Bureau. The Company failed to calculate the return premium correctly.

Company Response: The Company respectfully requests that violation TermIRHO653953329 be withdrawn. Billing transaction information is included for your review as TermIRHO653953329 Exhibit A.

Company -Initiated Non-renewals – Homeowners Policies

2. The examiners found two violations of § 38.2-2114 B of the Code of Virginia. The Company failed to send the insured a written notice of nonrenewal.

Company Response: The Company respectfully requests that violation TermNRHO1588913968 be withdrawn. The Company received information about the vacancy of the property from the agency and set the policy up to Company cancel. In the meantime the customer contacted the agency and requested the policy be cancelled effective August 25, 2011 the date they relinquished ownership of the home. When the

underwriter instructed the cancellation they did not advise processing to code the cancellation type as a request and the policy remained coded as a nonrenewal. This is why the policy populated in the data call under the incorrect cancellation reason. The agency contact notes from the insured and email thread from the insured to the agency requesting the cancellation effective August 25, 2011 is provided as TermNRHO1588913968 Exhibit A for your review.

CLAIMS REVIEW

Private Passenger Automobile Claims

1. The examiners found 26 violations of 14 VAC 5-400-30. The Company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.

Company Response: The Company requests the Bureau reconsider the following review sheets:

PPA-2077565785 – The Company has no record of receiving a response from the department and is submitting its original response for consideration. See Exhibit ClaimVehPPA-2077565785 response.

PPA-1864542349 - The Company has no record of receiving a response from the department and is submitting its original response for consideration. See Exhibit ClaimVehPPA-1864542349 response.

PPA-868445671 – The Company has no record of receiving a response from the department and is submitting its original response and supporting documents for consideration. See Exhibit ClaimVehPPA-868445671 response along with MD Exhibit 14.

PPA-909454359 – The Company has no record of receiving a response from the department and is submitting its original response and supporting documents for consideration. See Exhibit ClaimVehPPA-909454359 response along with MD Exhibit 15.

PPA-1319460127 – The Company has no record of receiving a response from the department and is submitting its original response and supporting documents for consideration. See Exhibit ClaimVehPPA-1319460127 response along with Exhibits 16 and 17.

PPA-1941152905 – The Company has no record of receiving a response from the department and is submitting its original response and supporting for consideration. See Exhibit ClaimVehPPA-1941152905 response along with Exhibits 18 and 19.

PPA-687203233 – The Company has no record of receiving a response from the department and is submitting its original response and supporting documents for consideration. See Exhibit ClaimVehPPA-687203233 response along with Exhibits 20, 21, 22 and 23.

PPA581813167 - In the claim log dated January 10, 2012, a contact and acknowledgement letter was sent to the insured asking for contact within 10 days and if there was no response, the assumption was that the insured no longer desired to pursue the claim. There was an error causing two dates to appear on the letter. The Company feels the documentation is sufficient to support the position on the handling of the physical damage portion of this file. Please see exhibit MD 1

PPA174831547 - It is evident by the documentation in the claim log, as well as the generated correspondence that the facts and events pertaining to the claim can be easily reconstructed. One error on a printed document, specifically the letter referred to on September 15, 2011, did not detract from understanding what occurred in this claim. The Company respectfully requests that this violation be withdrawn. Please see Exhibit MD 2.

PPA780271073 - Please see attached invoice validating the payment registered in the claim log and the Company respectfully requests that this violation be withdrawn. Please refer to Exhibit MD 3.

PPA1758884099 - Please see attached invoice validating the payment registered in the claim log and the Company respectfully requests that this violation be withdrawn. Please refer to Exhibit MD 4.

PPA2037111335 - The Company respectfully requests that this violation be withdrawn. The notation of Y regarding rental was a check marked by the total loss appraiser and not by the handling adjuster who was in

communication with the policyholder. It was clearly an accidental notation and incorrect information. The insured did not need a vehicle until the date obtained due to being injured and not driving until a few days post accident. The insured had been advised of their coverages by the handling adjuster and did not need the vehicle until being able to drive. The Company readily provided the vehicle at their request subsequent to our offer of it.

PPA405231535 - Please see attached letters previously noted as being missing from the file. Please refer to Exhibits 24, 25, 26, 27 and 28.

2. The examiners found 11 violations of 14 VAC 5-400-40 A. The Company obscured or concealed from a first party claimant, directly or by omission, benefits, coverages, or other provisions of an insurance policy that were pertinent to the claim.
 - c. In five instances, the Company failed to accurately inform an insured of his benefits or coverages, including rental benefits, available under the Uninsured Motorist Property Damage coverage (UMPD) and/or Underinsured Motorist coverage (UIM).

Company Response: The company requests the Bureau reconsider the following review sheet:

PPA1584859194 - The Company believes that the letter was appropriate given the circumstances of the loss. The paragraph stating that UMPD coverage may cover losses (including reasonable rental coverages) is accurate. Not every claim/loss requires the use of a rental vehicle. Coverage is triggered once the

vehicle is out of service for a covered loss. Please refer to exhibit MD 5. The Company respectfully requests that this violation be withdrawn.

8. The examiners found 33 violations of 14 VAC 5-400-80 D. The Company failed to provide the vehicle owner a copy of the estimate for the cost of repairs prepared by or on behalf of the Company.
 - b. In two instances, the Company failed to provide a copy of the estimate to the claimant.

Company Response: Company Response: The Company requests the Bureau to reconsider the following review sheets:

- PPA297767781
- PPA1983831983
- PPA289523759
- PPA615608479
- PPA1359729001
- PPA1127914883
- PPA1677756249
- PPA1595603189
- PPA205723273

All of the above referenced violations have a common response from the company regarding estimate, supplement or final bill. All vehicle owners who go to an OYS repair facility receive a claim packet containing all pertinent information regarding the repair of their vehicle to include initial estimate, supplement(s) and final bill.

Please refer to exhibit MD 6 which is an example of that packet from an On Your Side (OYS) claim. Please also review exhibit MD 7 which are examples of similar violations which were withdrawn after additional consideration. Based upon this documentation, the Company respectfully requests that these violations be withdrawn.

10. The examiners found 27 violations of § 38.2-510 A 1 of the Code of Virginia. The Company misrepresented pertinent facts or insurance policy provisions relating to coverages at issue.
 - a. In 20 instances, the Company issued written communications that misrepresented pertinent facts of the claim.
 - b. In seven instances, the Company failed to properly convey to the insured and/or claimant the Company's obligation concerning payment of the rental or loss of use claim.

Company Response: The Company requests the Bureau reconsider the following review sheet:

PPA897720405 – The examiner questioned whether the claims associate provided the insured with a copy of the estimate and explained the coverages. This was a drive in claim where the claims associate was face to face with our insured in our drive in facility. The estimate would have been given to the insured at that time and an explanation of the coverages also, as indicated in the file documents attached. Please refer to exhibit MD 8. The Company respectfully requests that this violation be withdrawn.

11. The examiners found 18 violations of § 38.2-510 A 3 of the Code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

Company Response: The company requests the Bureau reconsider the following review sheets:

PPA1417984912 – The vehicle was determined to be a drive-able total loss. The vehicle had no tags or registration. The claimant, who presented as the vehicle owner, in fact was not the vehicle owner. The claimant's girl friend was the titled owner of the vehicle effective on February 13, 2012. At this point, the Company feels rental was not appropriate for a drive-able vehicle. Once the Company determined who actually owned the vehicle, the Company offered a rental for seven days. Also see also violation under 38.2-510-A-1/01. Please refer to Exhibit MD 9. The Company respectfully requests that this violation be withdrawn.

PPA1981473729 – Damage was verified by staff appraiser. Images taken by appraiser clearly show damage caused by hail. Please refer to Exhibit MD 10. The Company respectfully requests that this violation be withdrawn.

12. The examiners found two violations of § 38.2-510 A 6 of the Code of Virginia. The company failed to attempt, in good faith, to make a prompt, fair, and equitable settlement of a claim in which liability was reasonably clear.

Company Response: The Company requests the Bureau reconsider the following review sheet:

PPA1358340950-The Company initially acknowledged the Observations of the Bureau. However, subsequent file review has shown that the Company respectfully disagrees with the Bureau's findings and is submitting a rebuttal for review. See Exhibit ClaimVehPPA1358340950. The Company respectfully requests that this violation be withdrawn.

13. The examiners found eight violations of § 38.2-510 A 10 of the Code of Virginia. The company made a claim payment to the insured or beneficiary that was not accompanied by a statement setting forth the correct coverage(s) under which payment was made.

Company Response: The Company requests the Bureau reconsider the following review sheets.

PPA180833664 – In multiple instances the file reflects discussions of coverage with the insured. In a letter dated September 9, 2011, a discussion of potential EFT was outlined. The EFT payment was issued on October 3, 2011 consistent with the coverage previously discussed with the insured. The actual transfer of funds does not generate a printed document to the insured. In this instance the Company feels the file clearly documents the insured was aware of the coverage under which payment was made. Therefore, the Company respectfully requests that this violation be withdrawn.

PPA1619707000 – The Examiner refers to dates which are attributable to a loss date of February 2, 2012 for this insured and not for the May 8,

2011 loss which is the subject for this review. The check documentation for the May 8, 2011 loss is accurate and reflects the coverage appropriately. The Company asks that this violation be withdrawn. Please refer to Exhibit MD 11 which provides supporting information for the correct loss date of May 8, 2011.

15. The examiners found two violations of § 38.2-510 C of the Code of Virginia. The company failed to accurately disclose the required aftermarket parts notice to the vehicle owner either on the estimate of repairs or in a separate document.

Company Response: The Company requests the Bureau reconsider the following review sheets:

- PPA471043024
- PPA1761487110

In both noted instances, estimates and/or supplements all provide appropriate wording for the use of aftermarket parts. The Company asks that these violations be withdrawn. Please refer to Exhibit MD 12 in support of our position.

16. The examiners found five occurrences where the company failed to comply with the provisions of the insurance policy.
 - b. In two instances, the company paid an insured more than he was entitled to receive under the terms of his policy.

Company Response: The Company requests the Bureau reconsider the following Review Sheet:

PPA214434065 - The deductible was applied on claim for glass replacement as a partial payment on loss. Final payment removed deductible since previously applied to glass damage on same claim. The company paid the appropriate amount in this claim. Please refer to Exhibit MD 13 in support of our position. On that basis, the Company respectfully requests that this violation be withdrawn.

Homeowners Claims

1. The examiners found 12 violations of 14 VAC 5-400-30. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.

Company Response: The Company requests the Bureau reconsider the following review sheets:

ClaimPropHO134818075 – The Examiner notes there was no estimate contained in the claim file in his response. Please see Exhibit HO-1a for the estimate that was contained in the claim file as of January 24, 2012 at 11:51 am.

ClaimPropHO1375548604 – The Examiner notes in his response that the file lacks documentation as to contacts or correspondence to the injured party, medicals bills incurred, and no final resolution. Provided in Exhibits HO-1b HO-1c, and HO-1d is the entire printed claim file with the documentation that was considered lacking.

ClaimPropHO252826416 –The Examiner requested of the Company to specifically note where in the log the identity theft claim of January 01, 2012 is mentioned. Please refer to Exhibit HO-1e for the three occasions where the identity theft claim is mentioned in the logs of the reviewed file.

ClaimPropHO85876081 – The Examiner’s criticism was a lack of documentation. In this claim, Europ Assistance USA has requested no further action on behalf of the Company to date. Therefore, the Company is unable to provide additional documentation since additional company action on behalf of Europ Assistance USA was contingent upon an additional request from Europ Assistance USA. Therefore, the Company respectfully requests that these four violations be withdrawn.

9. The examiners found three occurrences where the company failed to comply with the provisions of the insurance policy.
 - a. In one instance, the company paid an insured more than he was entitled to receive under the terms of his policy.

Company Response: With regard to 10.a., the Company had received a response from Bureau that this violation had been withdrawn. The Company acknowledges the other Observations of the Bureau.

REVIEW OF THE POLICY ISSUANCE PROCESS

Automobile Policies

RENEWAL BUSINESS POLICIES

1. The examiners found four violations of § 38.2-305 B of the Code of Virginia. The Company failed to provide the Important Information to Policyholders notice.

Company Response: The Company provides the Important Information required under Section 305B to all new and renewal Virginia policyholders. The alleged violations under this section arise from the fact that the sample policy output provided to the Bureau included output for two reinstatement policies and two change policy declarations rather than the requested renewal output. The Company apologizes for this defect in data production. However, the Company's consistent compliance with the requirements under Section 305B is evidenced by the sampled output provided for the remaining six renewal auto policies (see exhibit PI7). The Company observes that Section 38.2-305B applies to new and renewal insurance contracts and does not apply to policy reinstatements or policy changes. As a result, while the Company acknowledges it failed to provide the Bureau with appropriate policy output with regard to these four policies, the Company respectfully asserts this does not amount to a violation of Section 38.2-305B. Therefore, the Company respectfully disagrees with the violations alleged in this section and requests that violations PIRBPIPPA1031518437, PIRBPIPPA290961245, PIRBPIPPA1533453099, and PIRBPIPPA1469752626 be withdrawn.

2. The examiners found eight violations of § 38.2-604 A of the Code of Virginia. The Company failed to provide the insured the Notice of Information Collection and Disclosure Practices.

Company Response: The Company provides the Insurance Information Practices notice required under Section 604A to our customers upon

application and every 12 months thereafter upon the applicable policy renewal/anniversary date. The alleged violations under this section arise from the fact that the sample policy output provided to the Bureau included output for two reinstatement policies and two change policy declarations rather than the requested renewal policy output. The Company apologizes for this defect in data production. However, the Company's consistent compliance with the requirements under Section 604A is evidenced by the output for the remaining six renewal auto policies (see exhibit PI7). The Company observes that the requirements under Section 38.2-604A apply at the point of application and upon policy renewal (unless an appropriate notice has been issued to the customer within the prior 24 months) and the requirements do not apply to policy reinstatements or policy changes. As a result, while the Company acknowledges it failed to provide the Bureau with appropriate policy output with regard to these four policies, the Company respectfully asserts this does not amount to a violation of Section 38.2-604A. Therefore, the Company respectfully disagrees with the violations alleged in this section and request that violations PIRBPIPPA1325078080, PIRBPIPPA418576152, PIRBPIPPA1930865392, and PIRBPIPPA207947971 be withdrawn.

The Company respectfully disagrees and requests that violation PIRBPIPPA387578037 be withdrawn. As required under Section 38.2-604 A-2, the Company's insurance information practices notice is provided to our customers every 12 months at the applicable annual policy anniversary date. For the referenced policy the required notice was not included in the renewal output provided since it was not the annual renewal. As evidence of the Company's compliance with the annual notification requirement, the Company has provided in Exhibit PI1 the output from the most recent

annual anniversary renewal output for January 2013, which includes the Company's insurance information practices notice.

The Company respectfully disagree and request that violation PIRBPI PPA224063653 be withdrawn. As required under Section 38.2-604 A-2, the Company's insurance information practices notice is provided to our customers every 12 months at the applicable annual policy anniversary date. For the referenced policy the required notice was not included in the renewal output provided since it was not the annual renewal. As evidence of the Company's compliance with the annual notification requirement, the Company has provided in Exhibit PI2 the output from the most recent annual anniversary renewal output for January 2013, which includes the Company's insurance information practices notice.

The Company respectfully disagrees and request that violation PIRBPI PPA165717789 be withdrawn. As required under Section 38.2-604 A-2, the Company's insurance information practices notice is provided to our customers every 12 months at the applicable annual policy anniversary date. For the referenced policy the required notice was not included in the renewal output provided since it was not the annual renewal. As evidence of the Company's compliance with the annual notification requirement, the Company has provided in Exhibit PI3 the output from the most recent annual anniversary renewal output for January 2013, which includes the Company's insurance information practices notice.

3. The examiners found eight violations of § 38.2-604.1 of the Code of Virginia. The Company failed to provide the Notice of Financial Information Collection and Disclosure Practices.

Company Response: The Company provides the Financial Information Collection and Disclosure Practices notice Section 604.1 to our customers upon application and every 12 months thereafter upon the applicable policy renewal/anniversary date. The alleged violations under this section arise from the fact that the sample policy output provided to the Bureau included output for two reinstatement policies and two change policy declarations rather than the requested renewal policy output. The Company apologizes for this defect in data production. However, the Company's consistent compliance with the requirements under Section 604.1 is evidenced by the output for the remaining six renewal auto policies (see exhibit PI7). The Company observes that the requirements under Section 38.2-604.1 apply at the point of application or issuance and once each calendar year thereafter and the requirements do not apply to policy reinstatements or policy changes. As a result, while the Company acknowledges it failed to provide the Bureau with appropriate policy output with regard to these four policies, the Company respectfully asserts this does not amount to a violation of Section 38.2-604.1. Therefore, the Company respectfully disagrees with the violations alleged in this section and requests that violations PIRBPIPPA937399999, PIRBPIPPA88801479, PIRBPIPPA1534088143, and PIRBPIPPA1788756922 be withdrawn.

The Company respectfully disagrees and requests that violation PIRBPIPPA918333998 be withdrawn. As required under Section 38.2-604.1, the Financial Information Collection and Disclosure Practices notice is provided to our customers every 12 months at the applicable annual policy anniversary date. For the referenced policy the required notice was not included in the renewal output provided since it was not the annual renewal. As evidence of the Company's compliance with the annual

notification requirement, the Company has provided in Exhibit PI4 the output from the most recent annual anniversary renewal output for January 2013, which includes the Financial Information Collection and Disclosure Practices notice.

The Company respectfully disagrees and requests that violation PIRBPI PPA1116697854 be withdrawn. As required under Section 38.2-604.1, the Financial Information Collection and Disclosure Practices notice is provided to our customers every 12 months at the applicable annual policy anniversary date. For the referenced policy the required notice was not included in the renewal output provided since it was not the annual renewal. As evidence of the Company's compliance with the annual notification requirement, the Company has provided in Exhibit PI5 the output from the most recent annual anniversary renewal output for January 2013, which includes the Financial Information Collection and Disclosure Practices notice.

The Company respectfully disagrees and requests that violation PIRBPI PPA1998492134 be withdrawn. As required under Section 38.2-604.1, the Financial Information Collection and Disclosure Practices notice is provided to our customers every 12 months at the applicable annual policy anniversary date. For the referenced policy the required notice was not included in the renewal output provided since it was not the annual renewal. As evidence of the Company's compliance with the annual notification requirement, the Company has provided in Exhibit PI6 the output from the most recent annual anniversary renewal output for January 2013, which includes the Financial Information Collection and Disclosure Practices notice.

REVIEW OF STATUTORY NOTICES

General Statutory Notices

2. The examiners found one violation of § 38.2-604 C of the Code of Virginia. The Company's short form Notice of Information Collection and Disclosure Practices did not contain all of the information required by this statute.

Company Response: The Company respectfully disagrees with the Observation of the Bureau. The information contained in Exhibit N2 provides information in support of this position.

3. The examiners found two violations of § 38.2-604.1 of the Code of Virginia. The Company's Notice of Financial Information Collection and Disclosure Practices did not contain all of the information required by the statute.

Company Response: The Company respectfully disagrees with the Observation of the Bureau that Nationwide's Privacy Statement does not comply with subsection B3 of the statute. Exhibit N4 highlights the section of the Nationwide Privacy Statement that states the insured may not opt out of everyday business purposes disclosures.

4. The examiners found four violations of § 38.2-610 A of the Code of Virginia. The AUD language in the Company's cancellation notice did not include wording substantially similar to that of the prototype set forth in Administrative Letter 1981-16.

Company Response: The Company respectfully disagrees with the Observation of the Bureau. Included in Exhibit N3 are examples of the AUD language in the Company's notices that contain substantially similar wording as set forth in Administrative Letter 1981-16.

Statutory Vehicle Notices

3. The examiners found one violation of § 38.2-2230 of the Code of Virginia. The Company failed to offer rental reimbursement coverage to an applicant.

Company Response: The Company respectfully disagrees and requests that violation NoticesSVN478977258 be withdrawn. The offer for purchasing rental reimbursement coverage is provided in writing as part of the initial policy declaration issued by the Company and at each subsequent renewal when Other Than Collision or Collision coverage is selected and rental reimbursement coverage has not been selected. Attached for your reference in Exhibit N1 is a copy of the policy declaration that was issued at new business for the referenced policy. The offer for purchasing rental reimbursement coverage can be found at the top of page four in the first paragraph in the Notes section.

4. The examiners found one violation of § 38.2-2234 A of the Code of Virginia. The Company's verbal script for the Credit Score Disclosure notice did not contain all the information required by this statute.

Company Response: The Company respectfully disagrees with the Observation of the Bureau. For verbal applications, the following recorded message, which includes the required information, is played when a prospect calls the Company's Direct operation for a quote.

FCRA_Message	FCRA Message: "This call is being recorded and monitored for business purposes. To offer you the quote you requested, we verify loss history and use consumer reports which may include credit reports and a credit based insurance score as permitted by law. You may request a statement describing such use and you have a right to appeal any adverse decision based on such use."
Nationwide Privacy Message	To offer you the quote you requested, it is necessary that we collect and share your personal information with third parties. Nationwide has a privacy policy to protect your personal information, and it is available to you upon request. You have the right to review your personal information in our files and can request correction of any inaccuracies."

Statutory Property Notices

1. The examiners found one violation of § 38.2-2126 A of the Code of Virginia. The Company's verbal script for the Credit Score Disclosure notice did not contain all the information required by this statute.

Company Response: The Company respectfully disagrees with the Observation of the Bureau. For verbal applications the following recorded message, which includes the required information, is played when a prospect calls the Company's Direct operation for a quote.

FCRA_Message	FCRA Message: “This call is being recorded and monitored for business purposes. To offer you the quote you requested, we verify loss history and use consumer reports which may include credit reports and a credit based insurance score as permitted by law. You may request a statement describing such use and you have a right to appeal any adverse decision based on such use.”
Nationwide Privacy Message	To offer you the quote you requested, it is necessary that we collect and share your personal information with third parties. Nationwide has a privacy policy to protect your personal information, and it is available to you upon request. You have the right to review your personal information in our files and can request correction of any inaccuracies.”

Other Notices

1. The examiners found two violations of § 38.2-517 A of the Code of Virginia. The Company’s glass claim procedure did not properly disclose the use of a Third Party Administrator.

Company Response: Please refer to the Nationwide Approved Glass Script attachment. This is the actual script used by the Company that does identify Safelite as acting on behalf of Nationwide. Also, when a customer calls the OYS glass number at 1-800-890-1375 it opens with the disclaimer. When a customer calls 1-800-421-3535 and voice prompts "glass claim", it routes the call to Safelite and the disclaimer is mentioned.

PART TWO – CORRECTIVE ACTION PLAN

Rating and Underwriting Review

1. Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred.

Company Response: The Company has provided the refunds to the customers who were overcharged and are working to correct all of the errors associated with the overcharges and undercharges.

2. Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.

Company Response: The Company has included 6% simple interest with the issued refunds.

3. Complete and submit to the Bureau the enclosed file titled "Rating Overcharges Cited during the Examination." By returning the completed file to the Bureau, the companies acknowledge that they have refunded or credited the overcharges listed in the file.

Company Response: Please see the attached restitution spreadsheet confirming the Company has issued the refunds to the customers that were overcharged. As noted in Part One, refunds on the following policies have not been processed because the Company submits that it correctly calculated the rates.

RPA017 (our records indicate that the violation for review sheet R&UNBPPA892031144 was withdrawn 7/10/13), RPA042, RPA099, RPA103, RPA106, RHO024, RHO095, RHO097, RHO099, RHO110, RHO112

4. Include accurate information in the policy by listing only those endorsements that are applicable to the policy on the declarations page.

Company Response: As noted in Part One, the Company continues to disagree with the violations related to listing the Customizing Equipment Coverage endorsement on the declarations page.

5. Properly represent stacking of Medical Expense coverage limits and applicable discounts on the declarations page.

Company Response: A project has been established to modify the declarations page to indicate that the statement does not apply to medical expense. The Company estimates that the project will be implemented by May 31, 2014.

6. Properly represent the benefits, coverage, advantages, and conditions of the policy.

Company Response: Long Term Discount – the policy declaration was modified on November 4, 2011 to change how the Company displays the message for tenured customers. The Long Term Customer was removed from the ‘How You Saved on this Policy with Nationwide’ section of the policy declaration and replaced with the message “Thank you for being a long-term customer”.

Advance Quote Discount – a project was initiated on February 6, 2013 to correct the issue of the Advance Quote Discount printing on the declaration page when the discount was not applied. The Company has completed a self-audit to ensure that the discount is only being printed on the declarations page when the discount is applicable in the rating of the policy.

7. Properly represent the Customization and Alteration coverage by not requiring a signed notice that restricts the policy provisions in the Standard Auto form in Virginia.

Company Response: The Company has removed the Customization and Alteration form from our state information website and the Company will communicate to Nationwide agencies to discontinue use of the Customization and Alteration form by December 1, 2013.

8. Provide a written Adverse Underwriting Decision notice to an insured when the policy premium is affected by a new surcharge for accidents and/or convictions.

Company Response: The Company could not produce two Adverse Underwriting Decision notices from its archiving system due to issues with a systems conversion in 2011. The Company’s system is currently

archiving notices properly. Please see Adverse Underwriting Decision Exhibit 1 as an example of a current notice that was sent and archived.

9. Require agents to retain all new business applications for three years as directed by § 38.2-1809 B of the Code of Virginia.

Company Response: The Company requires agencies to maintain a copy of the signed application in the agent's office or to upload to the Company storage system (e.g., Document Vault). To monitor compliance a minimum of 30 new business files are reviewed annually per agency. Non-compliance requires additional training and a follow-up audit. Continued non-compliance includes binding-authority suspension.

10. Use the rules and rates on file with the Bureau. Particular attention should be focused on the use of filed discounts, surcharges, points for accidents, and convictions, symbols, tier eligibility, driver classification factor, territory, rounding rules, tier eligibility, correct base and/or final rates, correct uninsured motorist rates, rounding, and correct credit score information.

Company Response: Symbols – Updated rate symbol pages were filed under SERFF Number NWPC-129049710 effective June 21, 2013.

Home Purchase Discount – Agency front-end system was modified July 8, 2012 to link the Home Purchase Field with the application of the Home Purchase discount.

Surcharge Rules – The Company will modify the Minor and Major Conviction Surcharge rules to clarify that conviction surcharge points will

be applied based on the date of the violation that resulted in a conviction and will be filed on or before March 31, 2014.

Application of Surcharge – The Company will publish a communication reminding agents to properly document the policy file for accidents obtained via a motor vehicle report to ensure proper application of surcharge by December 1, 2013.

Military Discount – The Company will publish a communication reminding agents to document the customer file to indicate that a copy of the military identification card was reviewed by December 1, 2013.

Pertaining to R&UNBPPA-806918836 and R&UNBPPA2138757185, the Company found that it was missing the “Credit Score Range” for FR Codes 98, 99 and 106. Corrections are being drafted for the manual and will be submitted to the Bureau for approval. Corrections will be drafted and filed by April 2014.

11. Update the insured’s credit information at least once in a three year period or when requested by the insured.

Company Response: The Company implemented a programming fix in February 2013 to require credit to be ordered every three years, if not requested sooner by the insured.

12. Use credit information that was obtained within 90 days of writing the policy.

Company Response: For new business the Company will use credit information obtained within 90 days of writing the policy.

The Company representative that handled the screening and processing for review sheet R&UNBPPA2039009599 failed to pull the credit for this policy. Due to Nationwide Mutual Fire being a closed company, this policy had to be manually processed to accommodate an existing customer who purchased an additional vehicle. The previous policy had reached the maximum number of vehicles for the policy, requiring a 5th vehicle policy to be written. The Company will send out a training reminder for pulling credit on every policy written when completing manual requests. This training will be completed by April 2014.

Termination Review

1. Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred.

Company Response: As noted in Part One, the Company continues to disagree with the majority of the noted violations related to the calculation of return premium. Where no rebuttal has been offered by the Company, the issue will be addressed within the enhanced Quality Review process referenced in detail herein.

2. Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.

Company Response: As noted in Part One, the Company continues to disagree with the violations related to the calculation of return premium.

3. Complete and submit to the Bureau the enclosed file titled "Termination Overcharges Cited during the Examination." By returning the completed file to the Bureau, the companies acknowledge that they have refunded or credited the overcharges listed in the file.

Company Response: As noted in Part One, the Company continues to disagree with the majority of the noted violations related to the calculation of return premium. Where no rebuttal has been offered by the Company,

the issue will be addressed within the enhanced Quality Review process referenced in detail herein.

4. Maintain accurate documentation that corresponds to the cancellation information.

Company Response: The Company has modified and enhanced its Quality Management program effective April 2013, to improve the Region's internal controls over compliance issues and to better monitor and measure quality. These changes will allow the Region to direct the Quality Management review toward issues identified under Insurance Department market conduct examinations or under Company internal compliance audits. These Quality Management reviews will consist of the review of both random and targeted policies and will be more customer and compliance focused going forward upon the implementation of these changes. This enhanced process should ensure that accurate documentation is maintained to support proper cancellation of policies in compliance with Virginia law.

5. Calculate earned premium according to the filed rules and policy provisions.

Company Response: As noted in Part One, the Company continues to disagree with the violations related to calculation of return premium.

6. Obtain and retain valid proof of mailing cancellation and non-renewal notices to the insured and lienholder.

Company Response: As noted in Part One, the Company continues to disagree with the violations related to the retention proof of mailing records.

7. Send the cancellation notice at least 45 days before the effective date of cancellation when the notice is mailed after the 59th day of coverage.

Company Response: The Company has modified and enhanced its Quality Management program effective April 2013, to improve the Region's internal controls over compliance issues and to better monitor and measure quality. These changes will allow the Region to direct the Quality Management review toward issues identified under Insurance Department market conduct examinations or under Company internal compliance audits. These Quality Management reviews will consist of the review of both random and targeted policies and will be more customer and compliance focused going forward upon the implementation of these changes. This enhanced process should ensure that cancellation notices are sent to the insured within the appropriate time frame.

8. Provide proper notice of cancellation to the lienholder when canceling a policy.

Company Response: As noted in Part One, the Company continues to disagree with the violations related to lienholder cancellation notification.

9. Retain a copy of the cancellation and non-renewal notices sent to the insured and/or lienholder.

Company Response: As noted in Part One, the Company continues to disagree with the violations related to leinholder cancellation notice retention.

10. Obtain a record of the change in the deed of trust indicating the sale of the insured property when cancellation is due to foreclosure.

Company Response: As noted in Part One, the Company continues to disagree with the violations related to the foreclosure cancellation process.

11. Send the cancellation notice for an owner-occupied dwelling policy at least 30 days before the effective date of cancellation when it is mailed after the 89th day of coverage.

Company Response: The Company has modified and enhanced its Quality Management program effective April 2013, to improve the Region's internal controls over compliance issues and to better monitor and measure quality. These changes will allow the Region to direct the Quality Management review toward issues identified under Insurance Department market conduct examinations or under Company internal compliance audits. These Quality Management reviews will consist of the review of both random and targeted policies and will be more customer and compliance focused going forward upon the implementation of these changes. This enhanced process should ensure that cancellation notices are sent to the insured within the appropriate time frame.

12. Provide the insured notice of his right to have the termination of his policy reviewed by the Commissioner of Insurance.

Company Response: The Company has modified and enhanced its Quality Management program effective April 2013, to improve the Region's internal controls over compliance issues and to better monitor and measure quality. These changes will allow the Region to direct the Quality Management review toward issues identified under Insurance Department market conduct examinations or under Company internal compliance audits. These Quality Management reviews will consist of the review of both random and targeted policies and will be more customer and compliance focused going forward upon the implementation of these changes. This enhanced process should ensure that owner occupied property cancellation notices include the right of review.

13. Send the cancellation notice to the address listed on the policy.

Company Response: As noted in Part One, the Company continues to disagree with the violation related to this issue.

14. Maintain proof of the insured's request for cancellation of his policy.

Company Response: The Company requires agencies to document an insured's request for cancellation. A communication reinforcing the importance of document retention will be sent to Virginia Agents in January 2014.

Claims Review

1. Correct the errors that caused the underpayments and overpayments and send the amount of the underpayment to insureds and claimants.

Company Response: The Company has sent the additional payments, including the six percent (6%) simple interest, to the insureds and

claimants noted in the underpayment listing. Please refer to the enclosed spreadsheet for the required details of the remediation effort.

2. Include six percent (6%) simple interest in the amount paid to the insureds and claimants.

Company Response: Please see response to item #1. Payments, including the six percent simple interest (6%) were sent to the insureds and claimants noted in the underpayment listing.

3. Complete and submit to the Bureau the enclosed file titled "Claims Underpayments Cited during the Examination." By returning the completed file to the Bureau, the companies acknowledge that they have paid the underpayments listed in the file.

Company Response: Please see the enclosed restitution spreadsheet set forth for the required details of the remediation effort.

4. Properly document claim files so that all events and dates pertinent to the claim can be reconstructed.

Company Response: With regard to the twelve Observations noted under Homeowner Claims item 1, the Company has notified the manager of the Claim Specialist(s) handling the claim(s) to provide individualized coaching on the appropriate documentation necessary sufficiently reconstruct events and/or dates that are pertinent to the claim. Additionally, the Company conducted a revision of Best Claims Practices in the fourth quarter of 2012 and completed by December 31, 2012 which

included a company wide training program in which attendance was mandatory of all Property Claims associates included in the Best Claims Practices training program is a provision that states in part, “26-IV The claim file contains documentation of complete, appropriate, and timely investigative actions and conclusion concerning the origin and cause of the loss. All relevant circumstances surrounding the loss and the extent of related damages will be identified.”

Regarding the Company’s casualty claims associates, meetings will be held during fourth quarter of 2013 with the leaders and managers in the operation regarding proper documentation of claims files, using the 14 review sheets noted in VAC 5-400-30/1 as examples. Training will also cover the proper maintenance of all notes and work papers pertaining to a claim. Following that meeting, the Company will ask the management team to hold one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations.

During the fourth quarter, leaders will meet with the trainers that support their departments to review the results of this exam and to work with them to incorporate refresher training on proper documentation and the maintenance of notes and work papers into future training on an annual basis. This training will be incorporated into all of the Company’s new hire training sessions.

5. Document the claim file that all applicable coverages have been discussed with the insured. Particular attention should be given to Medical Expense Benefits coverage, Transportation Expenses coverage, Uninsured Motorists coverage including rental benefits, Additional Living Expense

coverage, replacement cost benefits under Dwelling and Personal Property coverages, and Additional Coverages.

Company Response: With regard to the seven Observations noted under Homeowner Claims item 2, the Company has notified the manager of the Claim Specialist(s) handling the claim(s) to provide individualized coaching on the appropriate documentation necessary to inform the insured of benefits available under the policy. Additionally, the Company has re-examined the Dwelling and Personal Property Replacement Cost letters to ensure property language is being utilized on all Homeowner related claims when appropriate. The letter is being redesigned to better comply with regulations and will be distributed to all Virginia Property Claims personnel including Centralized Teams and National Catastrophe Teams by year-end 2013.

Regarding the Company's casualty claims associates, meetings will be held during fourth quarter of 2013 with the leaders and managers in the operation regarding documentation in the claim file that all applicable coverages have been discussed with the insured. The Company will use the review sheets noted in VAC 5-400-40-A/4, VAC 5-400-40-A/5 and VAC 5-400-40-A/6 as examples. Training will focus specifically on Medical Expense Benefits coverage, Transportation Expense coverage and Uninsured Motorists coverage including rental benefits. Following that meeting the Company will ask the management team to hold one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations.

During the fourth quarter, leaders will meet with the trainers that support their departments to review the results of this exam and to work with them to incorporate refresher training on documentation that all applicable coverages have been discussed with the insured into future training on annual basis. This training will be incorporated into all of the Company's new hire training sessions.

For our Material Damage associates, during monthly meetings held by claim managers, discussions will be held reinforcing that all applicable coverages will be discussed with insureds and claimants(if applicable to third party claims). The Company will also reinforce these discussions at claim manager meetings with senior regional leadership.

6. Acknowledge correspondence that reasonably suggests a reply is expected from insureds and claimants within ten business days.

Company Response: Regarding the Company's casualty claims associates, meetings will be held during fourth quarter of 2013 with the leaders and managers in the operation regarding the acknowledgement of correspondence that reasonably suggests a reply is expected within ten business days. The Company will use the review sheets noted in VAC 5-400-50 C/1 as examples. Following that meeting the Company will ask the management team to hold one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations.

During the fourth quarter, leaders will meet with the trainers that support their departments to review the results of this exam and to work with them

to incorporate refresher training on the acknowledgement of correspondence within ten business days into future training on annual basis. This training will be incorporated into all of the Company's new hire training sessions.

7. Make all claim denials in writing and keep a copy in the claim file.

Company Response: With regard to the five Observations noted under Homeowner Claims item 3, the Company has notified the manager of the Claim Specialist(s) handling the claim(s) to provide individualized coaching on the appropriate documentation on the requirement for a written denial whenever denying coverage under the policy. Additionally, the Company conducted a revision of Best Claims Practices in the fourth quarter of 2012 and completed by December 31, 2012 which included a company wide training program in which attendance was mandatory of all Property Claims associates. Included in the Best Claims Practices training program is a provision that states in part, "22-IV Potential excess exposures, underinsured, full and partial coverage denials, Non-Waiver Agreements, and Reservation of Rights letters will be communicated verbally and in writing to the Customer as soon as possible and in compliance with regulatory, privacy, and other statutory requirements. Agents are also to be notified of full denials and disputed partial denials, in compliance with our privacy guidelines."

Regarding the Company's casualty claims associates, meetings will be held during fourth quarter of 2013 with the leaders and managers in the operation regarding making all denials in writing and keeping a copy of the denial in the file. The Company will use the review sheets noted in VAC 5-

400-70 A/1 as examples. Following that meeting the Company will ask the management team to hold one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations.

During the fourth quarter, leaders will meet with the trainers that support their departments to review the results of this exam and to work with them to incorporate refresher training on making all denials in writing and keeping a copy of the denial in the file into future training on annual basis. This training will be incorporated into all of the Company's new hire training sessions.

8. Provide copies of vehicle repair estimates prepared by or on behalf of the company to insureds and claimants.

Company Response: Meetings will be held during fourth quarter of 2013 with the leaders and managers in the operation regarding providing copies of repair estimates to insureds and claimants. Following that meeting the Company will ask the management team to hold one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations.

9. Properly represent pertinent facts or insurance provisions relating to the coverage at issue.

Company Response: With regard to the 21 Observations noted under Homeowner Claims item 6, the Company has re-examined the Dwelling and Personal Property Replacement Cost letters to ensure property

language is being utilized on all Homeowner related claims when appropriate. The letter is being redesigned to better comply with regulations and will be distributed to all Virginia Property Claims personnel including Centralized Teams and National Catastrophe Teams by year end 2013.

Regarding the Company's casualty claims associates, meetings will be held during fourth quarter of 2013 with the leaders and managers in the operation regarding properly representing pertinent facts or insurance provisions relating to the coverage at issue. Following that meeting the Company will ask the management team to hold one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations.

During the fourth quarter, leaders will meet with the trainers that support their departments to review the results of this exam and to work with them to incorporate refresher training on making all denials in writing and keeping a copy of the denial in the file into future training on annual basis. This training will be incorporated into all of the Company's new hire training sessions.

10. Adopt and implement standards for prompt investigation of claims.

Company Response: With regard to the five Observations noted under Homeowner Claims items 7 and 8, the Company has notified the manager of the Claim Specialist(s) handling the claim(s) to provide individualized coaching on the need to provide a timely conclusion to claims investigations.

Regarding the Company's casualty claims associates, meetings will be held during fourth quarter of 2013 with the leaders and managers in the operation regarding standards for prompt investigation of claims and compliance and adherence to our Best Claims Practices. Following that meeting the Company will ask the management team to hold one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations.

During the fourth quarter, leaders will meet with the trainers that support their departments to review the results of this exam and to work with them to incorporate refresher training on making all denials in writing and keeping a copy of the denial in the file into future training on annual basis. This training will be incorporated into all of the Company's new hire training sessions.

Forms Review

1. Use the precise language of the standard automobile forms as adopted by the Bureau.

Company Response: A project has been established to correct the V-045-D (Nationwide Auto Policy) and V-3124-A (Named Non-Owner Coverage) forms to ensure they only contain the precise language of the automobile forms as filed and approved by the Bureau. The Company estimates that the project will be implemented by May 31, 2014.

2. Use the required Reinstatement of Insurance and the Suspension of Insurance forms adopted by the Bureau.

Company Response: A project has been established to develop and file the Reinstatement of Insurance and the Suspension of Insurance forms. The Company estimates that the project will be implemented by May 31, 2014.

3. File all homeowner forms with the Bureau at least 30 days prior to use.

Company Response: The Company will file all homeowner forms with the Bureau at least 30 days prior to use in Virginia. The Watercraft Liability Endorsement (H-6007) is no longer in use in Virginia and will be withdrawn.

4. Include replacement cost provisions in homeowner forms as required by the statute.

Company Response: A project has been established to modify the existing Amendatory Endorsement Fire 3479-E to modify the provisions of Fire 2791-53 and Fire 2792-53 forms to state that the insured has six months to make an additional claim for the difference between ACV and replacement cost. The Company estimates that the project will be implemented by May 31, 2014.

Review of Policy Issuance Process

1. Provide the Important Information to Policyholders notice to insureds at renewal.

Company Response: As noted in Part One, the Company continues to disagree with the violations related to providing the Important Information to Policyholders notice to insureds at renewal. The Important Information to Policyholders notice is included with new and renewal insurance policies.

2. Provide the Notice of Insurance Information Practices to insureds at renewal.

Company Response: As noted in Part One, the Company continues to disagree with the violations related to providing the Notice of Insurance Information Practices to insureds at renewal. The Notice of Insurance Information Practices is included with renewal insurance policies.

3. Provide the Notice of Financial Information Collection and Disclosure Practices to insureds at renewal.

Company Response: As noted in Part One, the Company continues to disagree with the violations related to providing the Notice of Financial Information Collection and Disclosure Practice to insureds at renewal. The Notice of Financial Information Collection and Disclosure is included with renewal insurance policies.

4. Prominently display the type of insurer in the policy.

Company Response: A project has been established to display the type of insurer on the homeowner policy declaration. The Company estimates that the project will be implemented by May 31, 2014.

Review of Statutory Notices

1. Amend the long form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 B of the Code of Virginia.

Company Response: A project has been established to modify the long form Notice of Information Collection and Disclosure Practices to comply with the Code of Virginia. The Company estimates that the project will be implemented by May 31, 2014.

2. Amend the short form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 C of the Code of Virginia.

Company Response: As noted in Part One, the Company continues to disagree with the violations related to the short form Notice of Information Collection and Disclosure Practices provided for verbal applications.

3. Amend the Notice of Financial Information Collection and Disclosure Practices to comply with § 38.2-604.1 of the Code of Virginia.

Company Response: As noted in Part One, the Company continues to disagree with the violations related to the Notice of Financial Information

Collection and Disclosure Practices not being in compliance with § 38.2-604.1 of the Code of Virginia, subsection B3. A project has been established to modify the notice to comply with subsection B4. The Company estimates that the project will be implemented by May 31, 2014.

4. Amend the AUD language within the cancellation notice to be substantially similar to the prototype set forth in Administrative Letter 1981-16.

Company Response: As noted in Part One, the Company continues to disagree with the violations related to the AUD language within the cancellation notice and contend that the verbiage in the Company notices is substantially similar to that of the prototype.

5. Provide the 60-day Cancellation Warning notice on or attached to the first page of the application to comply with § 38.2-2210 A of the Code of Virginia.

Company Response: A project has been established to modify the application to provide the 60-day Cancellation Warning notice on the first page of the application. The Company estimates that the project will be implemented by May 31, 2014.

6. Properly represent when the insured can request an update to his credit information at the time of application.

Company Response: A project has been established to modify the Credit Disclosure Notice on the auto application to state that the insured may

only request an update to their credit information every policy term (6-months). The Company estimates that the project will be implemented by May 31, 2014.

7. Offer rental reimbursement coverage to all applicants as required by § 38.2-2230 of the Code of Virginia.

Company Response: As noted in Part One, the Company continues to disagree with the violation related to offering rental reimbursement coverage to applicants. The offer for purchasing rental reimbursement coverage is provided in writing as part of the initial policy declaration issued by the Company and at each subsequent renewal when Other Than Collision or Collision coverage is selected and rental reimbursement coverage has not been selected.

8. Amend the Credit Score Disclosure notice to comply with § 38.2-2234 A 1 of the Code of Virginia.

Company Response: As noted in Part One, the Company continues to disagree with the violations related to the Credit Score Disclosure notice provided for verbal applications. The verbal script indicates the Company will obtain their credit information, the insured may request that the credit information be updated and can request correction of any inaccuracies.

9. Amend the Insurance Credit Score Disclosure verbal script notice to comply with § 38.2-2126 A 1 of the Code of Virginia.

Company Response: As noted in Part One, the Company continues to disagree with the violations related to the Credit Score Disclosure notice provided for verbal applications. The verbal script indicates the Company will obtain their credit information, the insured may request that the credit information be updated and can request correction of any inaccuracies.

10. Amend the verbal glass script to comply with § 38.2-517 of the Code of Virginia.

Company Response: The Company has submitted a rebuttal to this item in Part One.

PART THREE — RECOMMENDATIONS

RECOMMENDATIONS

Company Response: The Company acknowledges the recommendations of the Bureau.

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



P.O. BOX 1157
RICHMOND, VIRGINIA 23218
TELEPHONE: (804) 371-9741
TDD/VOICE: (804) 371-9206
<http://www.scc.virginia.gov/division/boi>

April 11, 2014

VIA UPS 2nd DAY DELIVERY

Ms. Cheryl Davis, MCM, AIRC, ACS
Market Conduct Director
Nationwide Insurance
One Nationwide Plaza, 1-35-102
Columbus, OH 43215

RE: Market Conduct Examination
Nationwide Mutual Fire Insurance Company (NAIC # 23779)
Nationwide Property & Casualty Insurance Company (NAIC # 37877)
Examination Period: April 1, 2011 – March 31, 2012

Dear Ms. Davis:

The Bureau of Insurance (Bureau) has reviewed the October 31, 2013 response to the Preliminary Market Conduct Report (Report) of Nationwide Mutual Fire Insurance Company and Nationwide Property & Casualty Insurance Company (Companies). The Bureau has referenced only those items in which the Companies have disagreed with the Bureau's findings, or items that have changed in the Report. This response follows the format of the Report.

PART ONE – THE EXAMINERS' OBSERVATIONS

Rating and Underwriting Review

Automobile New Business Policies

- (1) These violations remain in the Report. By listing form V-3230 A as applicable to all insured vehicles, the Company has not accurately reflected the conditions of insurance. Private passenger automobiles automatically have coverage for any custom equipment not specifically excluded by the policy. However, endorsement 3230 A only provides limited coverage for specific custom equipment in pickup trucks and vans. Further, if the insured added another vehicle to his/her policy, the Company would be required to issue an endorsement revising the conditions of coverage to include the added vehicle showing the new vehicle (subject of insurance) and any required endorsements (conditions of insurance). If the conditions change to make this

form applicable, it should be added at the time that the newly acquired vehicle is added. The Company should only list the forms that are applicable to the insured vehicles when the policy is issued. The Bureau did not cite the Company for any policies that included a pickup truck or van.

(3) After further review, the violations for RPA007, RPA050 and RPA051 have been withdrawn from the Report. The Company provided the requested documentation.

(4d) The violation for RPA002 remains in the Report. The examiners could not rely upon the Multi-Car Indicator shown on the screen print provided in the Company's exhibit. For reconsideration, the Company must provide copies of the declarations pages showing the additional vehicles insured by the Company on the inception date of the new business policy.

After further review, the violation for RPA042 has been withdrawn from the Report.

(4g) After further review, the violation for RPA001 has been withdrawn from the Report. The Company provided the requested documentation. The Report has been renumbered to reflect this change.

(4h) After further review, the violation for RPA026 has been withdrawn from the Report. The Company provided documentation of the raw credit score data.

Automobile Renewal Business Policies

(1a) After further review, the violation for RPA100 has been withdrawn from the Report. The Company provided the requested documentation. The Report has been renumbered to reflect this change.

(1b) These violations remain in the Report. By listing form V-3230 A as applicable to all insured vehicles, the Company has not accurately reflected the conditions of insurance. Private passenger automobiles automatically have coverage for any custom equipment not specifically excluded by the policy. However, endorsement 3230 A only provides limited coverage for specific custom equipment in pickup trucks and vans. Further, if the insured added another vehicle to his/her policy, the Company would be required to issue an endorsement revising the conditions of coverage to include the added vehicle showing the new vehicle (subject of insurance) and any required endorsements (conditions of insurance). If the conditions change to make this form applicable, it should be added at the time that the newly acquired vehicle is added. The Company should only list the forms that are applicable to the insured vehicles when the policy is issued. The Bureau did not cite the Company for any policies that included a pickup truck or van.

- (4) After further review, the violation for RPA099 has been withdrawn from the Report. The Company provided a copy of the declarations page requested for review. The Report has been renumbered to reflect this change.
- (5a) After further review, the two violations for RPA106 have been withdrawn from the Report. The Company provided a copy of the declarations page requested for review. The overcharge for this policy has been revised accordingly.

The violation for RPA117 remains in the Report. The rule on file with the Bureau states this discount applies to new business.
- (5b) The violation for RPA103 remains in the Report. The information provided by the Company during the examination as well as the information in Exhibit RU9 is inconsistent. The claim numbers as well as the claim detail is conflicting. For reconsideration, please explain why this information is inconsistent. Please refer to Attachment 1 for additional information.
- (5g) After further review, the violation for RPA099 has been withdrawn from the Report. The Company provided a copy of the declarations page requested for review. The Report has been renumbered accordingly.
- (5h) After further review, the violation for RPA078 has been withdrawn from the Report.
- (6) After further review, the violations for RPA062, RPA067 and RPA074 have been withdrawn from the Report. These violations were rewritten and are now cited under item (5g) above with corresponding overcharges.

Homeowner New Business Policies

- (1a) After further review, the violation for RHO024 has been withdrawn from the Report. The Company provided documentation to support that the policy did not qualify for the Claims Free discount.
- (1c) After further review, the violation for RHO024 has been withdrawn from the Report. The Company provided additional information to demonstrate how the Amount of Insurance Coverage was interpolated. The Report has been revised to reflect this change.

Homeowner Renewal Business Policies

- (1) After further review, the violation for RHO114 has been withdrawn from the Report. The Report has been renumbered accordingly and a Recommendation has been added.

- (3a) After further review, the violations for RHO043, RHO044, RHO091, RHO112 and RHO124 have been withdrawn from the Report.

Review Sheet R&URBHO0647551098 had three violations for RHO121. The violation in reference to the Home Purchase discount was previously withdrawn. The Safe Home Rating violation and the Claim Free discount violation are still active on this review sheet.

- (3c) After further review, the violation for RHO110 has been withdrawn from the Report. The Report has been renumbered to reflect this change.

- (3d) After further review, the violations for RHO094, RHO095, RHO097 and RHO110 have been withdrawn from the Report. The Company provided the necessary raw credit score documentation.

The violation for RHO099 remains in the Report. The Company provided documentation for the credit score used when rating the policy. The Company failed to use the correct Financial Responsibility Class associated with the credit score pulled for the policy. The Company incorrectly applied the factor for Financial Responsibility Class 13 when a class 15 should have been used. The overcharge has been removed and the premium difference is now an undercharge of \$82.00.

Terminations Review

Automobile Notices Mailed Prior to the 60th Day of Coverage

After further review, the violation for TPA005 has been withdrawn from the Report. The Company provided documentation that showed that the return premium was calculated correctly.

The violation for TPA006 remains in the Report. The Company has failed to use the Prorate Table located in their manual on file with the Bureau when calculating prorated premium for return premium calculations. The Prorate Table is located on page 50 under the General Rules section of the Nationwide Property and Casualty Insurance Company manual. Also note that the accounting screens provided by the Company show that a \$10.00 late fee was applied to the policy balance and was never reversed. The Company indicated that a balance of \$79.97 was owed before the policy term being reviewed; however the accounting screens provided did not support this amount.

The violation for TPA008 remains in the Report. The Company failed to use the Prorate Table filed with the Bureau. The Prorate Table is located on page 50 under the General Rules section of the Nationwide Property and Casualty Insurance Company manual. Further, the Company's calculation does not

appear to include the \$10 late fee and the policy file does not indicate why the Company truncated earned premium of \$196.81 to \$196.70.

The violation for TPA015 remains in the Report. The dates shown in the Company's response are not applicable to this policy. In addition, the Company has failed to use the Prorate Table located in its manual on file with the Bureau when calculating prorated premium for return premium calculations. The Prorate Table is located on page 50 under the General Rules section of the Nationwide Property and Casualty Insurance Company manual. Also note that the incorrect policy term was referenced in the Company's response. Please see the attached manual pages for your reference under Attachment 2.

Automobile Notices Mailed After the 59th Day of Coverage

- (1) After further review, the violation for TPA014 has been withdrawn from the Report. The Company provided documentation that showed that the return premium was calculated correctly.

The violation for TPA017 remains in the Report. The Company has failed to use the Prorate Table located in its manual on file with the Bureau when calculating prorated premium for return premium calculations. The Prorate Table is located on page 45 under the General Rules section of the Nationwide Mutual Fire Insurance Company manual. Also note that the accounting screens provided by the Company show that a \$10.00 late fee was applied to the policy balance and was never reversed.

- (2) The violation for TPA018 remains in the Report. The Company provided documentation that the insured's license had been revoked since 3/14/07. The renewal policy was effective 7/27/11. The Company's documentation did not indicate the insured had his license revoked during this renewal policy period or 90 days prior to this renewal effective date.

Automobile Nonpayment of Premium

The violations for TPA020, TPA026, TPA027, TPA028, TPA029, TPA034, TPA035, TPA040 and TPA042 remain in the Report. The Companies filed a pro rata table that should be used when calculating return premiums on cancellations. The Companies have failed to use the table to determine the factors applicable to these cancellations. The Companies should calculate the premiums using the table filed with the Bureau.

Automobile Insured Requested Cancellations

- (1) The violation for TPA051 remains in the Report. The original policy premium was \$587.50. The policy was endorsed on 12/20/2011 to \$960.60, which is a \$373.10 premium increase. However, the accounting screens provided by the

Company show a premium increase of \$279.00 instead of \$373.10. The Company did not provide sufficient information regarding this difference of \$94.10 in the endorsement premium.

The violation for TPA054 remains in the Report. The Company filed a pro rata table that should be used when calculating return premiums on cancellations. The Company has failed to use the table to determine the factors applicable to this cancellation. The Company should calculate the premiums using the table filed.

The violation for TPA056 remains in the Report. The Company provided the necessary documentation, however the Company failed to calculate the return premium correctly. The policy went into effect on 2/23/11 with a premium of \$845.90. The insured made two payments of \$140.98 and \$140.98, totaling \$281.96. The policy cancelled on 4/23/11; the earned premium was \$273.78, \$281.96 - \$273.78 resulted in an \$8.18 refund due to the insured. The Company sent a refund of \$2.66, resulting in an overcharge of \$5.52.

The violation for TPA057 remains in the Report. The Company provided the necessary documentation, however the Company failed to calculate the return premium correctly. The policy went into effect on 7/06/11 with a total premium of \$1,457.30. An endorsement was issued on 7/12/11 increasing the premium to \$1,489.50. Another endorsement was issued on 8/16/11 increasing the premium to \$1,957.00. The earned premium from the effective date to the first endorsement was \$48.09. The earned premium from the first endorsement to the second endorsement was \$285.98. The earned premium from the second endorsement to the cancellation date of 9/5/11 was \$215.27. The Company fully earned a total of \$36.00 in late fees and installment fees. Therefore, the Company earned a net amount of \$585.34. The insured made two payments totaling \$601.72. This resulted in an overcharge of \$16.38.

- (2) After further review, the violation for TPA053 has been withdrawn from the Report. The Company provided the necessary documentation. The Report has been renumbered to reflect this change.

Homeowner Notices Mailed After the 89th Day of Coverage

- (1a) The violation for THO011 remains in the Report. The Company provided the necessary documentation, however the Company failed to calculate the return premium correctly. The policy went into effect on 6/11/11 with a premium of \$3,683.00. An endorsement was issued on 10/17/11 increasing the premium to \$3,823.00. The Company earned \$1,277.98 from the effective date to the endorsement date and earned \$877.41 from the endorsement date to the cancellation date. This gave the Company a net earned amount of \$2,155.39. A payment of \$3,835.00 was made to the account. The Company should have sent a refund of \$1,679.61; however, the Company only issued a refund of \$1,602.00. This results in an overcharge of \$77.61.

- (1b) After further review, the violations for THO027 and THO028 have been withdrawn from the Report. The Company provided the necessary documentation. The Report has been renumbered accordingly.
- (2a) After further review, the violation for THO026 has been withdrawn from the Report. The Company should pay closer attention to the verbiage in its letters. The Company advised that the coverage terminated on March 14, 2012, but the notice is dated February 8, 2012. The notice should have advised that the coverage "will cancel" instead of "cancelled."
- (2b) After further review, the violation for THO034 has been withdrawn from the Report. The Company provided the necessary documentation.

A violation has been added for THO026 for failing to retain proof of mailing the cancellation notice to the lienholder.

- (2c) After further review, the violation for THO026 has been withdrawn from the Report. The Company provided the necessary documentation. The Report has been renumbered accordingly.
- (3b) After further review, the violations for THO013 and THO029 have been withdrawn from the Report. The Company provided the necessary documentation.

The violations for THO017 and THO025 remain in the Report. The spreadsheet provided by the Company is not evidence of a transfer of the Deed of Trust.

Homeowner Nonpayment of Premium

- (1) After further review, the violation for THO038 has been withdrawn from the Report. The Company provided documentation that showed that the return premium was calculated correctly.

The violation for THO040 remains in the Report. The policy was effective from 9/21/10 to 9/21/11. The policy cancelled on 8/01/11. The total policy premium is \$1,025. The policy cancelled and was reinstated twice during the policy period. From 9/21/10 to 11/16/10 the pro rata earned by the Company is \$157.26. The policy reinstated on 12/01/10. From 12/01/10 to 5/27/11 the pro rata earned by the Company is \$497.05. The policy reinstated for the second time on 6/06/11. From 6/06/11 to 8/01/11 the pro rata earned amount is \$156.83. The total pro rata earned by the Company is \$811.14 (\$157.26 + \$497.05 + \$156.83). The Company earned \$55 in fees (three- \$5 installment fees and four- \$10 late fees). The net earned by the Company is \$866.14 (\$811.14 + \$55). The insured made six payments totaling \$771.28. This results in \$94.86 (\$866.14 - \$771.28) due to the Company. The Company

wrote off \$81.72. This results in a net undercharge of \$13.14 (\$94.86 - \$81.72).

The violation for THO054 remains in the Report. The Company indicated that a payment of \$170.26 was made on March 9, 2011. However the accounting screens provided by the Company indicated that \$170.26 was applied to the account and then was deducted from the account on March 9, 2011. The examiner is unable to see the balance column of the accounting screen, it was reasoned that the \$170.26 was added to the policy balance and then removed from the balance of the policy. Therefore, the \$170.26 was not used in the return premium calculation. Also note that the accounting screens provided by the Company show that a \$10.00 late fee was applied to the policy balance and was never reversed.

The violation for THO047 remains in the Report. The accounting screens provided by the Company show that a \$10.00 late fee was applied to the policy balance and was never reversed.

- (2) After further review, the violation for THO041 has been withdrawn from the Report. The Company provided the necessary documentation. The Report has been renumbered to reflect this change.

Homeowner Insured Requested Cancellations

- (1) After further review, the violation for THO067 has been withdrawn from the Report. The Company provided the necessary documentation. The Report has been renumbered to reflect this change.
- (2) The violation for THO059 remains in the Report. The Company refunded the insured an incorrect amount of premium. The policy premium of \$988 was paid in full. The policy was in effect from 12/17/10 to 5/27/11. The Company earned \$435.80. The Company refunded the insured \$514. The Company should have refunded the insured \$552.20 (\$988 - \$435.80). This results in an overcharge of \$38.20 (\$552.20 - \$514).

Homeowner Nonrenewals

- (2) The violation for THO082 remains in the Report. For reconsideration, the Company should provide transaction screens and/or underwriting notes that show the non-renewal notice was generated but not delivered, and evidence of the insured's request for cancellation of the policy. The email provided is not sufficient for this violation to be removed. In the email the insured states they have moved from their residence. The email does not show that the insured requested their policy be cancelled.

Claims Review

Private Passenger Automobile Claims

- (1) The violation for CPA004 remains in the Report. The claim file provided by the Company did not include the following letters: the Company's letter to the claimant's attorney dated 4/30/2012; letters from the claimant's attorney regarding the demand package dated 3/29/2012 and 4/7/2012; the letter to V & V dated 10/20/2011; the Property Damage subrogation letter dated 6/10/2011, and the letter of representation from the claimant's attorney. This violation is for failing to properly document the claim file.

After further review, the violation for CPA016 has been withdrawn from the Report.

The violation for CPA017 remains in the Report. The violation is for failing to have all applicable documentation in the file. The claim file did not include the invoice used to pay the ERAC bill.

The violation for CPA028 remains in the Report. The violation is for failing to have all applicable documentation in the file. The claim file did not include the invoice used to pay the Etrick Hospital bill.

The violation for CPA033 remains in the Report. The violation is for failing to have all applicable documentation in the file. The claim file did not include the invoice used to pay the ERAC bill.

The violation for CPA060 remains in the Report. The Bureau has responded to this review sheet. There was no need to go back to the Company a second time. The claim file was not documented to include the material in question and the Company was not aware the information was missing until it was made aware during the examination.

The violation for CPA072 remains in the Report. The March 12, 2013 log note is an entry made by the Company after the on-site examination. The Company was cited for missing documentation on January 16, 2013.

After further review, the violation for CPA074 has been withdrawn from the Report.

The violation for CPA084 remains in the Report. The Company's letter sent to the insured displayed conflicting dates (with one date preceding the date of loss). For purposes of claim file integrity it is important that the date is properly documented so as to avoid confusion.

The violation for CPA118 remains in the Report, the Company's letter sent to the claimant referenced a specific conversation and the date field was not completed. It is important that events and conversations are properly dated and documented.

The violation for CPA124 remains in the Report. The Company had the wrong ERAC invoice in the claim file as it belongs to another claim.

The violation for CPA133 remains in the Report. The violation is for failing to have all applicable documentation in the file. The claim file did not include the invoice used to pay the ERAC bill.

The violation for CPA136 remains in the Report. The Company noted in its response, "It was clearly an accidental notation and incorrect information." The violation memorializes the fact that the Company failed to properly document the file as to when the insured got into the rental.

(2b) After further review, the violation for CPA002 has been withdrawn from the Report. This item was addressed by the Company in its response under item (2c).

(8a) After further review, the violation for CPA079 has been withdrawn from the Report.

The violation for CPA075 remains in the Report. The supplement reads "Final Estimate & Direction to pay" and on the next line it states "Estimate, Blue Ribbon Warrenty, Reveiw [sic] of coverages to owner." The only difference between the supplement and the original estimate is the first line ("Final Estimate") and this first line is not enough to indicate that the two supplement(s) were provided to the insured.

The violations for CPA100 and CPA138 remain in the Report. The original estimate contained the statement "A copy of the estimate...has been given to the owner." However, when the supplement was created it read "final bill" on the first line with the caption "S01" preceding same to denote the entry of the supplement. Nowhere on the supplement was it noted that the insured was provided a copy of same and the notation "final bill" does not suffice as evidence that the supplement was given to the insured.

The violations for CPA105, CPA112, CPA124, CPA127 and CPA129 remain in the Report. The final bill appears on the last line of the supplement, and the same issue (use of "final bill") addressed in CPA100 pertains to these violations.

(10a) The violation for CPA089 remains in the Report. In the response, the Company disagrees with the violation in review sheet ClaimVehPPA897720405; in particular, the Company asserted that the insured received a copy of the estimate. However, the aforementioned review sheet pertains to a violation regarding Virginia Code Section 38.2-510 A; that the Company sent the insured a rental letter indicating that a daily limit applies to rental reimbursement and that the voucher expires 60 days from receipt of same. The Company's disagreement to the above review sheet does not correlate to violation.

A violation for CPA079 has been rewritten from a violation under Item (3) in the Statutory Vehicle Notices section.

- (11) The violation for CPA102 remains in the Report. The Company responded in part “the Company feels rental was not appropriate for drive-able vehicle.” The issue of the violation follows: the claimant parked the vehicle at the shop because although it may have been “drive-able” as the Company asserts it may not have been street legal. For example, the estimate photo indicates damage to the right rear tail light assembly; the Company’s estimate included the replacement of same. It appears that this specific damage, as well as the other damage related to this loss (resulting in an estimate of \$3,402.86), may have been the reason the Company’s estimator noted that the vehicle was not drivable as evidenced by page one of the estimate, under claim summary, “Driveable: No”.

The violation for CPA134 remains in the Report. The Company responded that this hail damage was “verified by staff appraiser. Images...clearly show damage caused by hail.” The violation pertains to the investigation. When the staff appraiser “verified” the hail damages, there was not a single entry to memorialize this fact; the photos do not “clearly” show the damage. Even the estimate references the loss as “fire, theft and [sic]”. In the above instance, the appraiser may have, through his action of inspecting the vehicle, determined the damages were related to a hail event, but what the appraiser observed by way of an investigation was never entered into the claim file. If the loss notice had not been included with the file, the examiner would not have been able to determine what the loss entailed as the appraiser never committed same to the claim file other than an estimate and photos that do not capture, with any detail, the hail damage.

- (12) The violation for CPA073 remains in the Report. The Company’s response stated in part “On the date of the initial collision payment, 9/8/11, the tortfeasor was suspected to be uninsured...” This position, “suspected,” is different from the position taken by the investigating adjuster; mainly, that as of 9/6/2011 the adjuster documented with certainty that the tortfeasor was uninsured “I reported claim to NW for x/file purposes and the clmt policy is Victoria/Titan and was cancelled 08/09/11.” Moreover, on 9/9/2011 it was noted that “clmt is uninsured Policy canceled prior to loss date [sic]”; the use of “is” frames the coverage in no uncertain terms as related to the Uninsured Motorist Coverage and its applicability thereof. The Company’s statement that “liability investigation concluded on 9/9/11 there was no policy in effect” serves as a date wherein the collision deductible could have been released to the insured under the Uninsured Motorists Coverage. Finally, the Company’s final statement should be addressed: “Under these circumstances the handling of the \$500 collision deductible as a payment to the insured under UM coverage during that interim period was not unreasonable as there was no suggestion of inconvenience.” Inconvenience is irrelevant; once the Company had knowledge that the claimant was uninsured then it had a duty per the policy provisions to release the collision deductible and at minimum, if the Company

“suspected” that the claimant was uninsured, it should have requested the cancellation notice from its sister company as of 9/6/2011 when the Company reported the loss to Victoria instead of waiting nearly a month to receive it.

- (13) After further review, the violation for CPA103 has been withdrawn from the Report.

The violation for CPA107 remains in the Report. The Company indicated that a letter referencing a “discussion of potential EFT” was sent to the insured (dated 9/9/2011); however, the EFT payment was not issued until 10/3/2011, nearly a month later. Virginia Code Section 38.2-510 A 10 states in part, as related to making payments to first party insured’s, that such payments shall be “accompanied by a statement setting forth the coverage under which payments are being made.” The issue is that the Code requires a statement to accompany, not precede by nearly a month, the payment.

- (15) These violations remain in the Report. The aftermarket parts language utilized in the estimates are not identical to the language required pursuant to Virginia Code Section 38.2-510 C 1.

- (16b) After further review, the violation for CPA034 has been withdrawn from the Report.

The violation for CPA141 from (16c) below was rewritten to review sheet #1396284601 and now appears under this item.

- (16c) After further review, the violation for CPA141 has been withdrawn from the Report and rewritten under item (16b) above.

Homeowner Claims

- (1) After further review, the violations for CHO004, CHO052 and CHO055 have been withdrawn from the Report.

The violation for CHO017 remains in the Report. The Company referred the claim to Europ Assistance USA to handle the insured’s claim. Europ Assistance USA is an agent of the Company acting on the Company’s behalf. The Company’s response states that additional documentation or paperwork is contingent upon Europ Assistance USA. There is no documentation in the file to show why no further action was necessary in the handling of the claim.

- (10a) The violation for CHO003 was withdrawn from the Report and rewritten under review sheet ClaimPropHO-1373303085 on July 8, 2013. A copy of the active review sheet has been provided.

Policy Issuance Review

Automobile Renewal Business Policy Issuance

- (1) The violations for MPA007, MPA008, MPA009 and MPA011 remain in the Report. The Company was instructed in the Data Call, as well as in the initial conference call, to provide all of the material that is mailed to the insured on a renewal business policy. The policies provided by the Company did not include the Important Information Regarding Your Insurance notice as required by the Code of Virginia.
- (2) The violations for MPA007, MPA008, MPA009 and MPA011 remain in the Report. The Company was instructed in the Data Call, as well as in the initial conference call, to provide all of the material that is mailed to the insured on a renewal business policy. The policies provided by the Company did not include the Notice of Insurance Information and Disclosure Practices as required by the Code of Virginia.

After further review, the violations for MPA012, MPA014 and MPA015 have been withdrawn from the Report.

- (3) The violations for MPA007, MPA008, MPA009 and MPA011 remain in the Report. The Company was instructed in the Data Call, as well as in the initial conference call, to provide all of the material that is mailed to the insured on a renewal business policy. The policies provided by the Company failed to include the Notice of Financial Information Collection and Disclosure Practices as required by the Code of Virginia.

After further review, the violations for MPA012, MPA014 and MPA015 have been withdrawn from the Report.

General Statutory Notices

- (2) The violation for NGS009 remains in the Report. The Company provided a different verbal script as used during the examination period in response to the request in the Data Call Manual. The original verbal script did not comply with subsections 2, 3 and 4 of § 38.2-604 C of the Code of Virginia. The script provided by the Company in response to the Report also does not comply with the statute. The Company has attempted to provide two different scripts to comply with the statute. The second script also fails to state the information collected may be disclosed to third parties without authorization as required by subsection C2 of the statute. Further, it appears the Company is attempting to provide two separate verbal scripts as one notice to applicants and insureds.
- (3) The violation for NGS003 remains in the Report. The Company correctly identified the area where the notice does comply with subsection B3 of the statute. However, the Company did not indicate where the notice provides the categories of non-affiliates with which the Company has joint marketing agreements pursuant to subsection B4 of § 38.2-604.1 of the Code of Virginia.

- (4) The violations for NGS005 and NGS006 remain in the Report. The four notices provided by the Company were not submitted in response to the Data Call as notices used during the examination period. Further, the four notices also do not include all the required information pursuant to the prototype of Administrative Letter 1981-16 or §§ 38.2-608 and 609 of the Code of Virginia. As stated by the examiners regarding the notices also submitted during the examination, most of the notices appear to comply with the FCRA (Federal) or the Privacy Notice requirements, but not the Virginia Adverse Underwriting Decision (AUD) notice as required by § 38.2-610 A of the Code of Virginia.

Statutory Vehicle Notices

- (3) After further review, the violation for NSV010 has been withdrawn from the Report. Review sheet ClaimVehPPA1397080410 has been added in the Vehicle Claims section of the Report under Item (10a).
- (4) The violation for NSV009 remains in the Report. The Company provided a different verbal script as used during the examination period in response to the request in the Data Call Manual. The original verbal script did not comply with § 38.2-2234 A of the Code of Virginia. The script provided by the Company in response to the Report also does not comply with the statute. The Company has attempted to provide two different scripts to comply with the statute. The FCRA Message script does not include the required information of items (ii) or (iii) of the statute. The Nationwide Privacy Message script does not state it applies to credit information and does not state the insured may request an update to his credit information as required by (ii) of the statute.

Statutory Property Notices

- (1) The violation for NSP011 remains in the Report. The Company provided the original verbal script as used during the examination period in response to the request in the Data Call Manual. The script provided by the Company in response to the Report does not comply with the 38.2-2126 A of the Code of Virginia. The Company has attempted to provide two different scripts to comply with the statute. The FCRA Message script does not include the required information of items (ii) or (iii) of the statute. The Nationwide Privacy Message script does not state it applies to credit information and does not state the insured may request an update to his credit information as required by (ii) of the statute.

Other Notices

- (1) The violation for NON004 remains in the Report. The Company provided the original glass script as used during the examination period in response to the request in the Data Call Manual. The original glass script had a draft date of 9/13/11, which would be effective during the examination period. The glass

script provided by the Company in response to the Report has a draft date of 4/23/12 and an approval date of 10/15/12, which is outside of the examination period ending 3/31/12. Therefore, the Bureau cannot consider the most recently provided glass script as used during the examination period. However, the Bureau acknowledges that the Company has corrected its glass script, which will be considered a part of the Company's Corrective Action Plan.

PART TWO – CORRECTIVE ACTION PLAN

Rating and Underwriting Review

- (3) The overcharges for RPA017, RHO024, RPA042, RPA099, RHO095, RHO097, RHO099, RHO110 and RHO112 have been withdrawn from the Report. The overcharges for RPA103 and RPA106 remain in the Report.

It does not appear that the Companies added the correct restitution information for items RPA060 through RPA077 for Private Passenger Automobile Renewal Business. Please re-submit a corrected spreadsheet for review. Any amounts still outstanding on the revised Restitution spreadsheet have been highlighted in yellow.

- (4) The Companies should only list forms and endorsements that are applicable to the policy. The Bureau does not agree that the Companies should list all endorsements that the insured may need added to the policy in the future. The Companies' practice can be confusing and misleading to insureds. The policy would have to be endorsed to add the new or replacement vehicle and any applicable endorsements should be added at that time.
- (8) The Companies' AUD notice does not comply with §§ 38.2-608 and 609 of the Code of Virginia. The notice requires insureds to provide the reasons why they disagree with the Companies' decision in order to obtain the Companies' specific reason for the AUD. This is an unreasonable requirement since the insured does not have to disagree with the Company in order to see the information. Section 38.2-608 A of the Code of Virginia only requires the insured to make a written request and provide proper identification. Additionally, the notice incorrectly indicates the only types of information that can be copied are consumer reports. If the Companies obtain other types of information upon which the Companies have based their decision, the insured would have a right to see or copy such information (except those excluded by subsection B.2.a of § 38.2-610). The term "Consumer reports" should be replaced by "personal information" in the notice. Further, the notice does not indicate the insured has the right to know the source of the information. Lastly, the notice does not state the insured's statement will be put in the Companies' file.
- (10) The Companies should ensure the following: policy files have sufficient documentation for discount eligibility, matrix tier placement is correctly

programmed based upon the policy file, territory classification is based upon the garaging address, the correct drivers are included in the average driver classification calculation, and charge the Water/Sewer Backup coverage premium in accordance with filed rules and rates.

The Bureau acknowledges Nationwide Property and Casualty Insurance Company filed to change the basis of "the time since the latest conviction" to the violation date under the Minor and Major Conviction Surcharge rule. However, the Experience Period rule is still based upon the conviction date. Further, this manual revision was not filed for Nationwide Mutual Fire Insurance Company.

Termination Review

- (3) The overcharges for TPA005 and THO027 have been withdrawn from the Report and Restitution spreadsheet. Any amounts still outstanding on the revised Restitution spreadsheet have been highlighted in yellow.
- (8) This item remains in the Report. Contrary to its response, the Company did not disagree with all of the violations for sending cancellation notices to the lienholder. The Company did not dispute the violations for THO004, THO024 and THO078 in its response. The Company should amend its corrective action plan to ensure lienholders receive cancellation notices as required by the statute.
- (9) This item has been withdrawn from the Report. The Report has been renumbered accordingly.
- (10) This item has been withdrawn from the Report. The Report has been renumbered accordingly.
- (13) This item has been withdrawn from the Report. The Report has been renumbered accordingly.
- (14) This item has been withdrawn from the Report since these violations are not subject to a monetary penalty.

Claims Review

- (3) Any amounts still outstanding on the revised Restitution spreadsheet have been highlighted in yellow.
- (4-10) The Company indicated in its Response that training will occur sometime during the fourth quarter of 2013 with respect to the corrective actions referenced in numbers 4 through 10. Please advise the Bureau of the dates the training occurred.

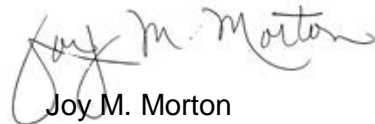
Forms Review

- (2) The Reinstatement of Insurance and Suspension of Insurance forms are standard automobile forms and cannot be filed with the Bureau. The Company must ensure the forms it develops contain the precise language of the standard forms.
- (3) Please provide the date the Company expects to submit a filing to the Bureau to withdraw the Watercraft Liability Endorsement.

We have made the changes noted above to the Market Conduct Examination Report. Enclosed with this letter is a revised version of the Report, technical reports, the Restitution spreadsheet and any review sheets withdrawn, added or altered as a result of this review. The Companies' response to this letter is due in the Bureau's office by May 1, 2014.

Once we have received and reviewed the Companies' responses to these items, we will be in a position to make a settlement offer. We look forward to your response by May 1, 2014.

Sincerely,



Joy M. Morton
Supervisor
Market Conduct Section
Property and Casualty Division
(804) 371-9540
joy.morton@scc.virginia.gov

Enclosures



On Your Side®

Office of the Chief Legal and Governance Officer

June 11, 2014

Joy Morton
Supervisor, Market Conduct Section
Property and Casualty Division
Virginia Bureau of Insurance
P.O. Box 1157
Richmond, VA 23218

RE: Market Conduct Exam Draft Report Response on Nationwide Mutual Fire Insurance Company and Nationwide Property and Casualty Insurance Company

Dear Ms. Morton:

On behalf of Nationwide Mutual Fire Insurance Company and Nationwide Property and Casualty Insurance Company ("Nationwide" or "Companies"), please allow this acceptance letter and its enclosures to serve as our response to the revised Market Conduct Examination Report ("Report") as of March 31, 2012. We have reviewed the Report and respectfully submit the following for your consideration:

1. This letter to accept the Report
2. Revised Report Response and Attachments
3. Restitution Excel Files

We have organized the response in relation to the corrective action items established in Part Two of the report. For each action item identified, a corrective action plan has been provided.

If you have any questions, please do not hesitate to contact me by email at davisc60@nationwide.com or by telephone at (614) 249-4580.

Sincerely,

Cheryl L. Davis
Senior Compliance Director

Enclosures

**MARKET CONDUCT EXAMINATION REPORT
RESPONSE
AND CORRECTIVE ACTION PLAN
OF
NATIONWIDE MUTUAL FIRE INSURANCE
COMPANY
AND
NATIONWIDE PROPERTY AND CASUALTY
INSURANCE COMPANY**

June 11, 2014

PART TWO – CORRECTIVE ACTION PLAN

Rating and Underwriting Review

1. Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred.

Company Response: The Company has corrected the errors that caused the overcharges and undercharges and has provided the refunds to the customers who were overcharged.

2. Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.

Company Response: The Company has included 6% simple interest with the issued refunds.

3. Complete and submit to the Bureau the enclosed file titled "Rating Overcharges Cited during the Examination." By returning the completed file to the Bureau, the companies acknowledge that they have refunded or credited the overcharges listed in the file.

Company Response: Please see the attached restitution spreadsheet confirming the Company has issued the refunds to the customers that were overcharged.

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

4. Include accurate information in the policy by listing only those endorsements that are applicable to the policy on the declarations page.

Company Response: A project has been established to modify the declarations page to only list the Customizing Equipment Coverage endorsement when coverage is provided to a pickup truck and/or van. The Company estimates that the project will be implemented by December 31, 2014.

5. Properly represent stacking of Medical Expense coverage limits and applicable discounts on the declarations page.

Company Response: A project to modify the declarations page to indicate that the statement does not apply to medical expense was implemented effective May 10, 2014.

6. Properly represent the benefits, coverage, advantages, and conditions of the policy.

Company Response:

Long Term Discount – the policy declaration was modified on November 4, 2011 to change how the Company displays the message for tenured customers. The Long Term Customer was removed from the ‘How You Saved on this Policy with Nationwide’ section of the policy declaration and replaced with the message “Thank you for being a long-term customer”.

Advance Quote Discount – a project was initiated on February 6, 2013 to correct the issue of the Advance Quote Discount printing on the declaration page when the discount was not applied. The Company has completed a self-audit to ensure that the discount is only being printed on the declarations page when the discount is applicable in the rating of the policy.

7. Properly represent the Customization and Alteration coverage by not requiring a signed notice that restricts the policy provisions in the Standard Auto form in Virginia.

Company Response: The Company has removed the Customization and Alteration form from our state information website and has issued a communication to Nationwide agencies to discontinue use of the Customization and Alteration form.

8. Provide a written AUD notice to an insured when the policy premium is affected by a new surcharge for accidents and/or convictions.

Company Response: The Company could not produce two Adverse Underwriting Decision notices from its archiving system due to issues with a systems conversion in 2011. The Company's system is currently archiving notices properly. Please see 'Rating and Underwriting Exhibit #1' as an example of a current notice that was sent and archived.

Additionally the Company has validated that the Summary of Rights notice that is included with all AUD notices provides the rights in the event of an adverse underwriting decision and complies with §38.2-608 and 609 of the Code of Virginia.

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

9. Require agents to retain all new business applications for three years as directed by § 38.2-1809 B of the Code of Virginia.

Company Response: The Company requires agencies to maintain a copy of the signed application in the agent's office or to upload to the Company storage system (e.g., Document Vault). To monitor compliance a minimum of 30 new business files are reviewed annually per agency. Non-compliance requires additional training and a follow-up audit. Continued non-compliance includes binding-authority suspension.

10. Use the rules and rates on file with the Bureau. Particular attention should be focused on the use of filed discounts, surcharges, points for accidents, and convictions, symbols, tier eligibility, driver classification factors, territory, correct base and/or final rates, and correct credit score information.

Company Response: The Company will use the rules and rates on file with the Bureau. The following projects and/or processes have been implemented to ensure compliance:

- Symbols – Updated rate symbol pages were filed under SERFF Number NWPC-129049710 effective June 21, 2013.
- Home Purchase Discount – Agency front-end system was modified July 8, 2012 to link the Home Purchase Field with the application of the Home Purchase discount.

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

- Surcharge Rules – The Company has modified the “time since the latest conviction” within the Minor and Major Conviction Surcharge rules to clarify that conviction surcharge points will be applied based on the date of the violation that resulted in a conviction. Based on additional correspondence with the Bureau the Company will make the same changes within the Experience Period rule and will be filed by August 31, 2014.
- Application of Surcharge – The Company has published a communication reminding agents to properly document the policy file for accidents obtained via a motor vehicle report to ensure proper application of surcharges.
- Military Discount – The Company has published a communication reminding agents to document the customer file to indicate that a copy of the military identification card was reviewed.
- Pertaining to R&UNBPPA-806918836 and R&UNBPPA2138757185, the Company found that it was missing the “Credit Score Range” for FR Codes 98, 99 and 106. Corrections to the manuals pertaining to the missing FR codes was submitted to the bureau on October 29, 2013 and approved on December 4, 2013. The SERFF Tracking number is NTWP-129270436

11. Update the insured's credit information at least once in a three year period or when requested by the insured.

Company Response: The Company implemented a programming fix in February 2013 to require credit to be ordered every three years, if not requested sooner by the insured.

12. Use credit information that was obtained within 90 days of writing a new business policy.

Company Response: For new business, the Company will use credit information obtained within 90 days of writing the policy. The Company representative that handled the screening and processing for review sheet R&UNBPPA2039009599 failed to pull the credit for this policy. Due to Nationwide Mutual Fire Insurance Company being a run-off company, this policy had to be manually processed to accommodate an existing customer who purchased an additional vehicle. The previous policy had reached the maximum number of vehicles for the policy, requiring a 5th vehicle policy to be written. The Company will send reminder to the processing staff by July 30, 2014.

Termination Review

1. Correct the errors that caused the overcharges and undercharges and send refunds to the insured's or credit the insured's accounts the amount of the overcharge as of the date the error first occurred.

Company Response: The Company has provided the refunds to the customers who were overcharged and are working to correct all of the errors associated with the overcharges and undercharges.

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

2. Include six percent (6%) simple interest in the amount refunded and/or credited to the insured's accounts.

Company Response: The Company has included 6% simple interest with the issued refunds.

3. Complete and submit to the Bureau the enclosed file titled "Termination Overcharges Cited during the Examination." By returning the completed file to the Bureau, the companies acknowledge that they have refunded or credited the overcharges listed in the file.

Company Response: Please see the attached restitution spreadsheet confirming the Company has issued the refunds to the customers that were overcharged.

4. Calculate earned premium according to the filed rules and policy provisions.

Company Response: The Company will modify the rating rules to reflect the calculation for determining prorata unearned premium and this rule modification will be filed on or before August 31, 2014.

5. Retain proof of mailing cancellation notices to the lien holder.

Company Response: At Nationwide, record retention is a critical part of our corporate compliance strategy. Proof of mail is maintained by Nationwide in our document storage utility that archives correspondence sent to the insured, additional

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

insured and mortgagee. As a result of human error there were a few instances in which the Company did not generate a lien holder notice and was therefore unable to provide the proof of mail to the Bureau.

Upon review of the initial results of this Examination, Mid-Atlantic Regional Leadership took initiative in partnering with our Home Office Compliance Units toward integration of stronger regulatory compliance controls into the Regional Quality Assurance Program. As a result, there have been modifications and enhancements to the Quality Management program effective October, 2013 to improve the Region's internal controls over compliance issues and to better monitor and measure quality. These Quality Management reviews will consist of the review of both random and targeted policies and will be more customer and compliance focused going forward upon the implementation of these changes. This enhanced process should ensure that accurate documentation is maintained to support proper cancellation of policies in compliance with Virginia law.

In addition to the enhancements to the Quality Management Program described above, the Company's Office of General Counsel will provide training to company associates involved in the policy termination process that addresses all deficiencies within the Termination Review section of the Report, and the corrective actions required to assure compliance. This training will be completed no later than July 31, 2014. Follow up training will be provided, as appropriate, in the event the Quality Management Program identifies future defects in these areas.

6. Send the cancellation notice for a policy insuring a private passenger automobile at least 45 days before the effective date of cancellation when the notice is mailed after the 59th day of coverage.

Company Response: The Company has modified and enhanced its Quality Management program effective October 2013 to improve the Region's internal controls over compliance issues and to better monitor and measure quality. These changes will allow the Region to direct the Quality Management review toward issues identified under Insurance Department market conduct examinations or under Company internal compliance audits. These Quality Management reviews will consist of the review of both random and targeted policies and will be more customer and compliance focused going forward upon the implementation of these changes. This enhanced process should ensure that any policy cancellation is in compliance with Virginia law.

7. Provide proper notice to the lienholder when canceling or nonrenewing a policy.

Company Response: At Nationwide, record retention is a critical part of our corporate compliance strategy. Company communications are maintained by Nationwide in our document storage utility that archives correspondence sent to the insured, additional insured and mortgagee. As a result of human error there were a few instances in which the Company did not generate a cancellation notice and was therefore unable to provide the required documentation to the Bureau. To address this issue the Company has modified and enhanced its Quality Management program effective October 2013 to improve the Region's internal controls over compliance issues and to better monitor and measure quality. These

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

Quality Management reviews will consist of the review of both random and targeted policies and will be more customer and compliance focused going forward upon the implementation of these changes. This enhanced process should ensure that accurate documentation is maintained to support proper cancellation of policies in compliance with Virginia law.

8. Obtain a record of the change in the deed of trust indicating the sale of the insured property when cancellation is due to foreclosure.

Company Response: The Company has modified its cancellation procedures to require that the company obtain evidence of a change in ownership under the deed of trust or other appropriate documentation prior to taking action to cancel the policy on the basis of foreclosure.

9. Send the cancellation notice for an owner-occupied dwelling policy at least 30 days before the effective date of cancellation when it is mailed after the 89th day of coverage.

Company Response: The Company has modified and enhanced its Quality Management program effective October 2013 to improve the Region's internal controls over compliance issues and to better monitor and measure quality. These changes will allow the Region to direct the Quality Management review toward issues identified under Insurance Department market conduct examinations or under Company internal compliance audits. These Quality Management reviews will consist of the review of both random and targeted policies and will be more customer and compliance focused going forward upon the implementation of these

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

changes. This enhanced process should ensure that any policy cancellation is in compliance with Virginia law.

10. Provide the insured notice of his right to have the termination of his policy reviewed by the Commissioner of Insurance.

Company Response: The Company's nonrenewal letters do provide the insured the right to have their termination reviewed by the Commissioner of Insurance. As a result of human error there were a few instances in which the Company sent the customer the wrong letter which did not include the required right of review by the Commissioner.

The Company has modified and enhanced its Quality Management program effective October 2013 to improve the Region's internal controls over compliance issues and to better monitor and measure quality. These changes will allow the Region to direct the Quality Management review toward issues identified under Insurance Department market conduct examinations or under Company internal compliance audits. These Quality Management reviews will consist of the review of both random and targeted policies and will be more customer and compliance focused going forward upon the implementation of these changes. This enhanced process should ensure that all policy cancellations are in compliance with Virginia law.

11. Provide the insured a notice when the company cancels or nonrenews the policy.

Company Response: It is customary for the Company to provide the insured with notice when the company cancels or nonrenews a policy. As a result of human error there were a few instances in which the Company failed to send the customer a letter advising of cancellation. The Company has modified and enhanced its Quality Management program effective October 2013 to improve the Region's internal controls over compliance issues and to better monitor and measure quality. These changes will allow the Region to direct the Quality Management review toward issues identified under Insurance Department market conduct examinations or under Company internal compliance audits. These Quality Management reviews will consist of the review of both random and targeted policies and will be more customer and compliance focused going forward upon the implementation of these changes. This enhanced process should ensure that all policy cancellations are in compliance with Virginia law.

12. Cancel policies only for the reasons permitted by the statute.

Company Response: It is customary for the Company to only cancel a policy for reasons permitted by statute but as a result of human error there were a few instances in which the Company was unable to provide documentation to support the reason for cancellation. The Company has modified and enhanced its Quality Management program effective October 2013 to improve the Region's internal controls over compliance issues and to better monitor and measure quality. These changes will allow the Region to direct the Quality Management review toward issues identified under Insurance Department market conduct examinations or under Company internal compliance audits. These Quality Management reviews will consist of the review of both random and targeted policies and will be more

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

customer and compliance focused going forward upon the implementation of these changes. This enhanced process should ensure that all policy cancellations are in compliance with Virginia law.

13. Include the cancellation effective date in the cancellation notice.

Company Response: The Company has modified and enhanced its Quality Management program effective October 2013 to improve the Region's internal controls over compliance issues and to better monitor and measure quality. These changes will allow the Region to direct the Quality Management review toward issues identified under Insurance Department market conduct examinations or under Company internal compliance audits. These Quality Management reviews will consist of the review of both random and targeted policies and will be more customer and compliance focused going forward upon the implementation of these changes. This enhanced process should ensure that any policy cancellation is in compliance with Virginia law.

Claims Review

1. Correct the errors that caused the underpayments and overpayments and send the amount of the underpayment to insureds and claimants.

Company Response: The Company has sent the additional payments, including the six percent (6%) simple interest, to the insureds and claimants noted in the underpayment listing. Please refer to the enclosed spreadsheet for the required details of the remediation effort.

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

2. Include six percent (6%) simple interest in the amount paid to the insureds and claimants.

Company Response: Payments, including the six percent simple interest (6%), were sent to the insureds and claimants noted in the underpayment listing.

3. Complete and submit to the Bureau the enclosed file titled "Claims Underpayments Cited during the Examination." By returning the completed file to the Bureau, the companies acknowledge that they have paid the underpayments listed in the file.

Company Response: Please see the enclosed restitution spreadsheet set forth for the required details of the remediation effort.

4. Properly document claim files so that all events and dates pertinent to the claim can be reconstructed.

Company Response:

- With regard to the Property teams, meetings were held with the Property Claims Management team on October 3, 2013, October 10, 2013, October 24, 2013, November 7, 2013, and November 14, 2013. These were followed by a two-day, in-person meeting on December 4, 2013 and December 5, 2013. During these meetings, the Company reviewed and addressed the proper documentation of claims files. When appropriate, the Company used the 12 review sheets noted in VAC 5-400-30/1 as examples. The Company also addressed the proper

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

maintenance of all notes and work papers pertaining to a claim. Following those meetings the Company tasked the property managers with holding one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations. Each manager will also ensure that all of their associates attend Best Claims Practices training annually. Additionally quarterly file reviews will be completed to measure performance expectations, adherence to the Company's Best Claims Practices and to ensure compliance with all state laws and regulations.

- The Property Claim Management Team also met with the Property Trainer on December 19, 2013 and February 3, 2014 to review the results of the exam and to ensure the proper documentation of files and maintenance of notes and work papers are part The Company's new hire training and on-boarding process, and are incorporated into annual refresher training conducted for associates.
- Regarding the Company's Casualty teams, meetings were held on October 7, 2013, October 14, 2013, October 24, 2013, and October 31, 2013. There was also a two-day, in-person meeting held on November 7, 2013 and November 8, 2013. During these meetings, the Company reviewed and addressed the proper documentation of claims files. When appropriate, The Company used the 14 review sheets noted in VAC 5-400-30/1 as examples. The Company also addressed the proper maintenance of all notes and work papers pertaining to a claim. Following those meetings the Company tasked all casualty managers with holding one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations. Each manager will also ensure that all of their associates attend Best Claims Practices training annually.

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

Additionally quarterly file reviews will be completed to measure performance expectations, adherence to the Company's Best Claims Practices and to ensure compliance with all state laws and regulations.

- The Casualty Claim Management Team also met with the Casualty Trainers on October 7, 2013, October 14, 2013, October 24, 2013, and October 31, 2013, November 1, 2013, and January 13, 2014 to review the results of the exam and to ensure that the proper documentation of files and maintenance of notes and work papers are part the Company's new hire training and on-boarding process, and are incorporated into annual refresher training conducted for associates.
- Regarding the Company's Material Damage teams, meetings were held on October 1, 2013, October 14, 2013, October 16, 2013, October 17, 2013, and October 18, 2013. Those were followed by a two-day, in-person meeting held on 10/29/13 and 10/30/13. In order to continue to reinforce the message, that meeting was followed up by several smaller group leadership meetings on November 5, 2013, November 20, 2013, December 17, 2013, December 19, 2013, December 20, 2013, January 15, 2014, and February 20, 2014. During each of those meetings, the Company reviewed and addressed the proper documentation of claims files. When appropriate, The Company used the 14 review sheets noted in VAC 5-400-30/1 as examples. The Company also addressed the proper maintenance of all notes and work papers pertaining to a claim. Following those meetings the Company tasked all material damage managers with holding one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations. Each manager will also ensure that all of their associates attend Best Claims Practices training

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

annually. Additionally quarterly file reviews will be completed to measure performance expectations, adherence to the Company's Best Claims Practices and to ensure compliance with all state laws and regulations.

- The Material Damage Claim Management Team also met with the Material Damage Trainer on November 13, 2013 and November 20, 2013 to review the results of the exam and to ensure that the proper documentation of files and maintenance of notes and work papers are part the Company's new hire training and on-boarding process, and are incorporated into annual refresher training conducted for associates.
 - The Company is also working with its vendors and IT department to re-evaluate our bulk bill process to ensure all pertinent information can be reconstructed.
5. Document the claim file that all applicable coverages have been discussed with the insured. Particular attention should be given to Medical Expense Benefits coverage, Transportation Expenses coverage, Uninsured Motorists coverage including rental benefits, Additional Living Expense coverage, replacement cost benefits under Dwelling and Personal Property coverages, and Additional Coverages.

Company Response:

- With regard to the Property teams, meetings were held with the Property Claims Management team on October 3, 2013, October 10, 2013, October 24, 2013, November 7, 2013, and November 14, 2013. These were followed by a two-day, in-person meeting on December 4, 2013 and December 5, 2013. During these

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

meetings, the Company reviewed the appropriate documentation necessary to inform the insured of benefits available under the policy. When appropriate, the Company used the review sheets as examples. Following those meetings the Company tasked the property managers with holding one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations. Each manager will also ensure that all of their associates attend Best Claims Practices training annually. Additionally quarterly file reviews will be completed to measure performance expectations, adherence to the Company's Best Claims Practices and to ensure compliance with all state laws and regulations.

- The Property Claim Management Team also met with the Property Trainer on December 19, 2013 and February 3, 2014 to review the results of the exam and to ensure the proper documentation of all applicable coverages were discussed and explained, and is part the Company's new hire training and on-boarding process, and is incorporated into annual refresher training conducted for associates.
- Additionally, the Company has re-examined the Dwelling and Personal Property Replacement Cost letters to ensure proper language is being utilized on all Homeowner claims. The letter has been revised to ensure compliance with all state regulations. The Company is currently working with its IT team to have the letters loaded into each of the claims systems to ensure compliance and appropriate use of the document. This will be completed by June 30, 2014. A copy of the revised letter accompanies this corrective action plan and is titled 'Claims Exhibit #1'.

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

- Regarding the Company's Casualty teams, meetings were held on October 7, 2013, October 14, 2013, October 24, 2013, and October 31, 2013. There was also a two-day, in-person meeting held on November 7, 2013 and November 8, 2013. During these meetings, the Company reviewed and addressed documentation in the claim file that all applicable coverages have been discussed with the insured. When appropriate, the Company used the review sheets noted in VAC 5-400-40-A/4, VAC 5-400-40-A/5 and VAC 5-400-40-A/6 as examples. Following those meetings the Company tasked all casualty managers with holding one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations. Each manager will also ensure that all of their associates attend Best Claims Practices training annually. Additionally quarterly file reviews will be completed to measure performance expectations, adherence to the Company's Best Claims Practices and to ensure compliance with all state laws and regulations.
- The Casualty Claim Management Team also met with the Casualty Trainers on October 7, 2013, October 14, 2013, October 24, 2013, and October 31, 2013, November 1, 2013, and January 13, 2014 to review the results of the exam and to ensure the proper documentation of all applicable coverages were discussed and explained, and are part the Company's new hire training and on-boarding process, and are incorporated into annual refresher training conducted for associates.
- Regarding the Company's Material Damage teams, meetings were held on October 1, 2013, October 14, 2013, October 16, 2013, October 17, 2013, and

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

October 18, 2013. Those were followed by a two-day, in-person meeting held on October 29, 2013 and October 30, 2013. In order to continue to reinforce the message, that meeting was followed up by several smaller group leadership meetings on November 5, 2013, November 20, 2013, December 17, 2013, December 19, 2013, December 20, 2013, January 15, 2014 and February 20, 2014. During each of those meetings, the Company reinforced that all applicable coverages will be discussed with insureds and claimants (if applicable to third party claims). Where appropriate, the Company used the review sheets noted as examples. Following those meetings the Company tasked all material damage managers with holding one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations. Each manager will also ensure that all of their associates attend Best Claims Practices training annually. Additionally quarterly file reviews will be completed to measure performance expectations, adherence to the Company's Best Claims Practices and to ensure compliance with all state laws and regulations.

- The Material Damage Claim Management Team also met with the Material Damage Trainer on November 13, 2013 and November 20, 2013 to review the results of the exam and to ensure that all applicable coverages will be discussed with insureds and claimants (if applicable to third party claims), and are part the Company's new hire training and on-boarding process, and are incorporated into annual refresher training conducted for associates.

6. Acknowledge correspondence that reasonably suggests a reply is expected from insureds and claimants within ten business days.

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

Company Response:

- Regarding the Company's Casualty teams, meetings were held on October 7, 2013, October 14, 2013, October 24, 2013, and October 31, 2013. There was also a two-day, in-person meeting held on November 7, 2013 and November 8, 2013. During these meetings, the Company reviewed and addressed the acknowledgement of correspondence that reasonably suggests a reply is expected within ten business days. When appropriate, the Company will use the review sheets noted in VAC 5-400-50 C/1 as examples documentation in the claim file that all applicable coverages have been discussed with the insured. Following those meetings the Company tasked all casualty managers with holding one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations. Each manager will also ensure that all of their associates attend Best Claims Practices training annually. Additionally quarterly file reviews will be completed to measure performance expectations, adherence to the Company's Best Claims Practices and to ensure compliance with all state laws and regulations.
- The Casualty Claim Management Team also met with the Casualty Trainers on October 7, 2013, October 14, 2013, October 24, 2013, and October 31, 2013, November 1, 2013, and January 13, 2014 to review the results of the exam and to ensure the acknowledgement of correspondence that reasonably suggests a reply is expected within ten business days, and to ensure it is part of the Company's new hire training and on-boarding process, and is incorporated into annual refresher training conducted for associates.

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

- Regarding the Company's Material Damage teams, meetings were held on October 1, 2013, October 14, 2013, October 16, 2013, October 17, 2013, and October 18, 2013. Those were followed by a two-day, in-person meeting held on October 29, 2013 and October 30, 2013. In order to continue to reinforce the message, that meeting was followed up by several smaller group leadership meetings on 11/5/13, 11/20/13, 12/17/13, 12/19/13, 12/20/13, 1/15/14 and 2/20/14. During each of those meetings, the Company reinforced the acknowledgement of correspondence that reasonably suggests a reply is expected within ten business days. Where appropriate, the Company will use the review sheets noted in VAC 5-400-50 C/1 as examples documentation in the claim file that all applicable coverages have been discussed with the insured. Following those meetings the Company tasked all material damage managers with holding one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations. Each manager will also ensure that all of their associates attend Best Claims Practices training annually. Additionally quarterly file reviews will be completed to measure performance expectations, adherence to the Company's Best Claims Practices and to ensure compliance with all state laws and regulations.
- The Material Damage Claim Management Team also met with the Material Damage Trainer on November 13, 2013 and November 20, 2013 to review the results of the exam and to ensure the acknowledgement of correspondence that reasonably suggests a reply is expected within ten business days, and to ensure it is part of the Company's new hire training and on-boarding process, and is incorporated into annual refresher training conducted for associates.

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

7. Make all claim denials in writing and keep a copy in the claim file.

Company Response:

- With regard to the Property teams, meetings were held with the Property Claims Management team on October 3, 2013, October 10, 2013, October 24, 2013, November 7, 2013, and November 14, 2013. These were followed by a two-day, in-person meeting on December 4, 2013 and December 5, 2013. During these meetings, the Company reviewed the documentation necessary for a written denial whenever denying coverage under the policy. Where appropriate, the Company used the five observations the Bureau noted as examples. Following those meetings the Company tasked the property managers with holding one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations. Each manager will also ensure that all of their associates attend Best Claims Practices training annually. Additionally quarterly file reviews will be completed to measure performance expectations, adherence to the Company's Best Claims Practices and to ensure compliance with all state laws and regulations.
- The Property Claim Management Team also met with the Property Trainer on December 19, 2013 and February 3, 2014 to review the results of the exam and to ensure that all denials are made in writing and that associates are keeping a copy of the denial in the file as part of the Company's new hire training and on-boarding process, and are incorporated into annual refresher training conducted for associates.

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

- Regarding the Company's Casualty teams, meetings were held on October 7, 2013, October 14, 2013, October 24, 2013, and October 31, 2013. There was also a two-day, in-person meeting held on November 7, 2013 and November 8, 2013. During these meetings, the Company reviewed and addressed making all denials in writing and keeping a copy of the denial in the file. Where appropriate, the Company will use the review sheets noted in VAC 5-400-70 A/1 as examples. Following those meetings the Company tasked all casualty managers with holding one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations. Each manager will also ensure that all of their associates attend Best Claims Practices training annually. Additionally quarterly file reviews will be completed to measure performance expectations, adherence to the Company's Best Claims Practices and to ensure compliance with all state laws and regulations.
 - The Casualty Claim Management Team also met with the Casualty Trainers on October 7, 2013, October 14, 2013, October 24, 2013, and October 31, 2013, November 1, 2013, and January 13, 2014 to review the results of the exam and to ensure that all denials are made in writing and that associates are keeping a copy of the denial in the file as part of the Company's new hire training and on-boarding process, and are incorporated into annual refresher training conducted for associates.
8. Provide copies of vehicle repair estimates prepared by or on behalf of the company to insureds and claimants.

Company Response:

- Regarding the Company's Material Damage teams, meetings were held on October 1, 2013, October 14, 2013, October 16, 2013, October 17, 2013, and October 18, 2013. Those were followed by a two-day, in-person meeting held on October 29, 2013 and October 30, 2013. In order to continue to reinforce the message, that meeting was followed up by several smaller group leadership meetings on November 5, 2013, November 20, 2013, December 17, 2013, December 19, 2013, December 20, 2013, January 15, 2014, and February 20, 2014. During each of those meetings, the Company reinforced providing copies of repair estimates to insureds and claimants. Where appropriate, the Company used review sheets noted in the exam as examples. Following those meetings the Company tasked all material damage managers with holding one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations. Each manager will also ensure that all of their associates attend Best Claims Practices training annually. Additionally quarterly file reviews will be completed to measure performance expectations, adherence to the Company's Best Claims Practices and to ensure compliance with all state laws and regulations.
- The Material Damage Claim Management Team also met with the Material Damage Trainer on November 13, 2013 and November 20, 2013 to review the results of the exam and to ensure associates provide copies of repair estimates to insureds and claimants and this expectation is part of the Company's new hire

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

training and on-boarding process, and is incorporated into annual refresher training conducted for associates.

- The Company is working with IT to unlock our estimating system to allow for additional customization that will provide documentation of both our estimates and supplements having been provided to the customer. This customization will allow our appraisers additional fields to add comments about the appraisal process and to document discussions, communications and estimate and supplement copies left with the vehicle owners. The Company is currently in the development and testing phases and hopes to have the redesign completed by year end 2014.

9. Properly represent pertinent facts or insurance provisions relating to the coverage at issue.

Company Response:

- With regard to the Property teams, meetings were held with the Property Claims Management team on October 3, 2013, October 10, 2013, October 24, 2013, November 7, 2013, and November 14, 2013. These were followed by a two-day, in-person meeting on December 4, 2013 and December 5, 2013. During these meetings, the Company reviewed the appropriate documentation necessary to inform the insured of benefits available under the policy including policy provisions. When appropriate, the Company used the review sheets as examples. Following those meetings the Company tasked the property managers with holding one on one and team meetings with their associates to review the

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

opportunities noted above and to discuss expectations. Each manager will also ensure that all of their associates attend Best Claims Practices training annually. Additionally quarterly file reviews will be completed to measure performance expectations, adherence to the Company's Best Claims Practices and to ensure compliance with all state laws and regulations.

- The Property Claim Management Team also met with the Property Trainer on December 19, 2013 and February 3, 2014 to review the results of the exam and to ensure that associates are properly representing pertinent facts or insurance provisions relating to the coverage at issue and that this expectation is part of the Company's new hire training and on-boarding process, and is incorporated into annual refresher training conducted for associates.
- Regarding the Company's Casualty teams, meetings were held on October 7, 2013, October 14, 2013, October 24, 2013, and October 31, 2013. There was also a two-day, in-person meeting held on November 7, 2013 and November 8, 2013. During these meetings, the Company reviewed and addressed properly representing pertinent facts or insurance provisions relating to the coverage at issue. Where appropriate, the Company used the review sheets as examples. Following those meetings the Company tasked all casualty managers with holding one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations. Each manager will also ensure that all of their associates attend Best Claims Practices training annually. Additionally quarterly file reviews will be completed to measure performance expectations, adherence to the Company's Best Claims Practices and to ensure compliance with all state laws and regulations.

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

- The Casualty Claim Management Team also met with the Casualty Trainers on October 7, 2013, October 14, 2013, October 24, 2013, and October 31, 2013, November 1, 2013, and January 13, 2014 to review the results of the exam and to that ensure associates are properly representing pertinent facts or insurance provisions relating to the coverage at issue and that this expectation is part of the Company's new hire training and on-boarding process, and is incorporated into annual refresher training conducted for associates.
- Regarding the Company's Material Damage teams, meetings were held on October 1, 2013, October 14, 2013, October 16, 2013, October 17, 2013, and October 18, 2013. Those were followed by a two-day, in-person meeting held on October 29, 2013 and October 30, 2013. In order to continue to reinforce the message, that meeting was followed up by several smaller group leadership meetings on November 5, 2013, November 20, 2013, December 17, 2013, December 19, 2013, December 20, 2013, January 15, 2014, and February 20, 2014. During each of those meetings, the Company reinforced properly representing pertinent facts or insurance provisions relating to the coverage at issue. Where appropriate, the Company used the review sheets as examples. Following those meetings the Company tasked all material damage managers with holding one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations. Each manager will also ensure that all of their associates attend Best Claims Practices training annually. Additionally quarterly file reviews will be completed to measure performance expectations, adherence to the Company's Best Claims Practices and to ensure compliance with all state laws and regulations.

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

- The Material Damage Claim Management Team also met with the Material Damage Trainer on November 13, 2013 and November 20, 2013 to review the results of the exam and to ensure associates are properly representing pertinent facts or insurance provisions relating to the coverage at issue, and that this expectation is part of the Company's new hire training and on-boarding process, and is incorporated into annual refresher training conducted for associates.
- The Company has also made revisions to the following letters to comply with applicable Virginia laws and regulations:
 - The Dwelling and Personal Property Replacement Cost letter has been revised to ensure compliance with all state regulations and the Company is currently working with its IT team to have the letters loaded into each of the claims systems to ensure compliance and appropriate use of the document. This will be completed by June 2014. A copy of the revised letter accompanies this corrective action plan and is titled 'Claims Exhibit #1'.
 - The Company revised the Subrogation Letter sent to policyholders and discontinued the use of the letter referenced in the exam effective October 2012. A copy of the revised letter accompanies this corrective action plan and is titled 'Claims Exhibit #2'.

- The Company revised the First Party Medical Benefits package in December 2012. A copy of the revised letter accompanies this corrective action plan and is titled 'Claims Exhibit #3'.
- The Company created four letters that accompany EFT and Bank Card payments. Those four letters accompany this corrective action plan and are titled 'Claims Exhibit #4' (Bank Card Initial Load Active), 'Claims Exhibit #5' (Bank Card Initial Load Not Active), 'Claims Exhibit #6' (Bank Card Reload Letter) and 'Claims Exhibit #7' (EFT Confirmation of Payment Letter).
- Additionally, the Company is reviewing revisions to current information technology systems to assure that all customer facing documents reflect an accurate statement of the applicable coverage and expects to implement a compliant solution by December 31, 2014.

10. Adopt and implement standards for prompt investigation of claims.

Company Response:

- With regard to the Property teams, meetings were held with the Property Claims Management team on October 3, 2013, October 10, 2013, October 24, 2013, November 7, 2013, and November 14, 2013. These were followed by a two-day, in-person meeting on December 4, 2013 and December 5, 2013. During these meetings, the Company reviewed the need to provide a timely conclusion to claims investigations. Where appropriate, the Company used the review sheets as examples. Following those meetings the Company tasked the property

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

managers with holding one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations. Each manager will also ensure that all of their associates attend Best Claims Practices training annually. Additionally quarterly file reviews will be completed to measure performance expectations, adherence to the Company's Best Claims Practices and to ensure compliance with all state laws and regulations.

- The Property Claim Management Team also met with the Property Trainer on December 19, 2013 and February 3, 2014 to review the results of the exam and to ensure that standards for prompt investigation of claims and compliance and adherence to our Best Claims Practices are part of the Company's new hire training and on-boarding process and are incorporated into annual refresher training conducted for associates.
- Regarding the Company's Casualty teams, meetings were held on October 7, 2013, October 14, 2013, October 24, 2013, and October 31, 2013. There was also a two-day, in-person meeting held on November 7, 2013 and November 8, 2013. During these meetings, the Company reviewed and addressed the standards for prompt investigation of claims and compliance and adherence to our Best Claims Practices. Where appropriate, the Company used the review sheets as examples. Following those meetings the Company tasked all casualty managers with holding one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations. Each manager will also ensure that all of their associates attend Best Claims Practices training annually. Additionally quarterly file reviews will be completed to measure

performance expectations, adherence to the Company's Best Claims Practices and to ensure compliance with all state laws and regulations.

- The Casualty Claim Management Team also met with the Casualty Trainers on October 7, 2013, October 14, 2013, October 24, 2013, and October 31, 2013, November 1, 2013, and January 13, 2014 to review the results of the exam and to ensure that standards for prompt investigation of claims and compliance and adherence to our Best Claims Practices are part of the Company's new hire training and on-boarding process, and are incorporated into annual refresher training conducted for associates.
- Regarding the Company's Material Damage teams, meetings were held on October 1, 2013, October 14, 2013, October 16, 2013, October 17, 2013, and October 18, 2013. Those were followed by a two-day, in-person meeting held on October 29, 2013 and October 30, 2013. In order to continue to reinforce the message, that meeting was followed up by several smaller group leadership meetings on November 5, 2013, November 20, 2013, December 17, 2013, December 19, 2013, December 20, 2013, January 15, 2014, and February 20, 2014. During each of those meetings, the Company reviewed and addressed the standards for prompt investigation of claims and compliance and adherence to our Best Claims Practices. Where appropriate, the Company used the review sheets as examples. Following those meetings the Company tasked all casualty managers with holding one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations.

- The Material Damage Claim Management Team also met with the Material Damage Trainer on November 13, 2013 and November 20, 2013 to review the results of the exam and to ensure that standards for prompt investigation of claims and compliance and adherence to our Best Claims Practices are part of the Company's new hire training and on-boarding process, and are incorporated into annual refresher training conducted for associates.

Forms Review

1. Use the precise language of the standard automobile forms as adopted by the Bureau.

Company Response: A project to correct the V-045-D (Nationwide Auto Policy) and V-3124-A (Named Non-Owner Coverage) forms to ensure they only contain the precise language of the automobile forms as filed and approved by the Bureau was implemented May 10, 2014.

2. Use the required Reinstatement of Insurance and the Suspension of Insurance forms adopted by the Bureau.

Company Response: A project to use the Reinstatement of Insurance and the Suspension of Insurance forms was implemented May 10, 2014.

3. File all homeowner forms with the Bureau at least 30 days prior to use.

Company Response: The Company will file all homeowner forms with the Bureau at least 30 days prior to use in Virginia. The Watercraft Liability Endorsement (H-6007) is no longer in use in Virginia and has been withdrawn effective May 1, 2014.

4. Include replacement cost provisions in homeowner forms as required by the statute.

Company Response: A project to modify the existing Amendatory Endorsement Fire 3479-E that modifies the provisions of Fire 2791-53 and Fire 2792-53 forms to state that the insured has six months to make an additional claim for the difference between ACV and replacement cost was implemented May 10, 2014.

Review of Policy Issuance Process

1. Provide the Important Information to Policyholders notice to insureds at renewal.

Company Response: The Company has validated that the Important Information to Policyholders notice is provided at renewal. During the data call the Company inadvertently provided output for two reinstatement policies and two change policy declarations, which do not require the Important Information to Policyholder notice.

2. Provide the Notice of Information Collection and Disclosure Practices to insureds at renewal.

Company Response: The Company has validated that the Notice of Information Collection and Disclosure Practices is provided to customers at time of application

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

and every twelve months thereafter upon the applicable policy renewal/anniversary date. During the data call the Company inadvertently provided output for two reinstatement policies and two change policy declarations, which do not require the Notice of Information Collection and Disclosure Practices.

3. Provide the Notice of Financial Information Collection and Disclosure Practices to insureds at renewal.

Company Response: The Company has validated that the Notice of Financial Information Collection and Disclosure Practices is provided to customers upon application and every twelve months thereafter upon the applicable policy renewal/anniversary date. During the data call the Company inadvertently provided output for two reinstatement policies and two change policy declarations, which do not require the Notice of Financial Information Collection and Disclosure Practices.

4. Prominently display the type of insurer in the policy.

Company Response: A project to display the type of insurer on the homeowner policy declaration was implemented May 10, 2014.

Review of Statutory Notices

1. Amend the long form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 B of the Code of Virginia.

Company Response: A project to modify the long form Notice of Information Collection and Disclosure Practices to comply with the Code of Virginia was implemented May 10, 2014.

2. Amend the short form Notice of Information Collection and Disclosure Practices to comply with § 38.2-604 C of the Code of Virginia.

Company Response: A project has been established to ensure that the Company's short form Notice of Information Collection and Disclosure Practices contains all the information required by statute. The Company estimates that the project will be implemented by December 31, 2014.

3. Amend the Notice of Financial Information Collection and Disclosure Practices to comply with § 38.2-604.1 of the Code of Virginia.

Company Response: A project to modify the Notice of Financial Information Collection and Disclosure Practices to comply with §38.2-604.1 (subsection B4) of the Code of Virginia was implemented May 10, 2014.

4. Amend the language within the AUD notice to be substantially similar to the prototype set forth in Administrative Letter 1981-16.

Company Response: The Company has validated that the Summary of Rights notice that is included with all AUD notices provides the rights in the event of an adverse underwriting decision and is substantially similar to the prototype set forth in Administrative Letter 1981-16.

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company

5. Provide the 60-day Cancellation Warning notice on or attached to the first page of the application to comply with § 38.2-2210 A of the Code of Virginia.

Company Response: A project to modify the application to provide the 60-day Cancellation Warning notice on the first page of the application was implemented May 10, 2014.

6. Properly represent when the insured can request an update to his credit information at the time of application.

Company Response: A project to modify the Credit Disclosure Notice on the auto application to state that the insured may only request an update to their credit information every policy term (6-months) was implemented May 10, 2014.

8. Amend the Insurance Credit Score Disclosure notice to comply with § 38.2-2234 A 1 of the Code of Virginia.

Company Response: A project has been established to ensure that the Company's verbal script for the Credit Score Disclosure notice contains all the information required by statute. The Company estimates that the project will be implemented by December 31, 2014.

9. Amend the Insurance Credit Score Disclosure verbal script notice to comply with § 38.2-2126 A 1 of the Code of Virginia.

Company Response: A project has been established to ensure that the Company's verbal script for the Insurance Credit Score Disclosure notice contains all the information required by statute. The Company estimates that the project will be implemented by December 31, 2014.

10. Amend the verbal glass script to comply with § 38.2-517 of the Code of Virginia.

Company Response: The Company has amended its glass script to comply with § 38.2-517 of the Code of Virginia. A copy of the revised letter accompanies this corrective action plan and is titled 'Claims Exhibit #8'.

Review of the Complaint-Handling Process

Maintain a complete complaint register that is in compliance with § 38.2-517 of the Code of Virginia.

Company Response: On March 28, 2013, corrective training was conducted with the staff on the process for correctly entering complainant names into the Company's complaint-handling system.

Andrea Baytop

From: Joy Morton
Sent: Tuesday, July 22, 2014 10:57 AM
To: 'DAVISC60@nationwide.com'; ROPERJ1@nationwide.com; BECKERR3@nationwide.com
Cc: Andrea Baytop
Subject: Market Conduct Report

Cheryl:

We would like to wrap this Report up. Below are a few of the items we would like additional information from the company on, before we can close the Report. We would like to have your response on or before August 7, 2014.

The Bureau has reviewed the Company's 6/11/14 response to the Revised Report and the Company's 6/17/14 follow-up e-mail. The company should provide documentation of the changes indicated in its Corrective Action Plan provided in response to the Revised Report for the items indicated below.

Rating and Underwriting

5. Please provide a copy of a declarations page showing the Medical Expense Benefits coverage is properly represented.
8. We acknowledge the company's correction to the AUD notice that is sent with every policy. Please note (1) the AUD notice should only be sent to insureds/applicants when an AUD occurs, (2) the AUD notice should clearly state the reason for the AUD or state the insured may obtain those reasons, and (3) the company is not permitted to charge insureds/applicants for a copy of the information in response to an AUD pursuant to 38.2-608 D. Therefore, when the company sends an AUD to an insured/applicant the AUD notice should not state the company may charge a fee for providing the information.
10. Please provide the SERFF filing number under which the company modified the "time since the latest conviction" within the Minor and Major Conviction Surcharge rules. Additionally, please provide a copy of the agent communication regarding accidents obtained via a motor vehicle report and documenting the customer file for the Military discount.

Claims Review

6. The company should clarify its response on pages 22 and 23. The company discussed responding to correspondence within 10 business days and documenting the claim file that all coverages are discussed with insureds.

Forms Review

1. Please provide a copy of the V-045-D and V-3124 A forms that were amended to be in the precise language of the standard auto forms.
2. Please provide a copy of the Reinstatement and Suspension of Insurance forms implemented by the company.
4. Please provide a copy of the fire 2791-53 and Fire 2792-53 forms that were amended to include the replacement cost provisions.

Policy Issuance

4. Please provide a copy of a homeowner declaration page showing the type of insurer.

Statutory Notices

1. Please provide a copy of the revised Notice of Information Collection and Disclosure Practices.
3. Please provide a copy of the revised Notice of Financial Information Collection and Disclosure Practices.

4. We acknowledge the company's correction to the AUD notice that is sent with every policy. Please note (1) the AUD notice should only be sent to insureds/applicants when an AUD occurs, (2) the AUD notice should clearly state the reason for the AUD or state the insured may obtain those reasons, (3) the company is not permitted to charge insureds/applicants for a copy of the information in response to an AUD pursuant to 38.2-608 D. Therefore, when the company sends an AUD to an insured/applicant the AUD notice should not state the company may charge a fee for providing the information.
5. Please provide a copy of the auto application showing the 60-day Cancellation Warning notice.
6. Please provide a copy of the revised Credit Score Disclosure notice.

Joy Morton, MCM
Supervisor
P & C Market Conduct Section
Phone - (804)371-9540
Fax - (804) 371-9396
email - joy.morton@scc.virginia.gov

Andrea Baytop

From: DAVISC60@nationwide.com
Sent: Wednesday, August 06, 2014 2:01 PM
To: Joy Morton
Cc: Andrea Baytop; BECKERR3@nationwide.com; ROPERJ1@nationwide.com
Subject: Re: Market Conduct Report
Attachments: Exhibits.zip

Follow Up Flag: Follow up
Flag Status: Completed

Joy,

Thanks again for catching up with Kim and I at the conference this weekend. Hope you and Andrea had safe travels home, and that you had a wonderful vacation. Following are the responses to your note below. If you have any questions or need additional information, please let us know.

Rating and Underwriting

5. **Please provide a copy of a declarations page showing the Medical Expense Benefits coverage is properly represented.**

Response: Please refer to Page 5 of Exhibit 1_Auto Declaration.

8. **We acknowledge the company's correction to the AUD notice that is sent with every policy. Please note (1) the AUD notice should only be sent to insureds/applicants when an AUD occurs, (2) the AUD notice should clearly state the reason for the AUD or state the insured may obtain those reasons, and (3) the company is not permitted to charge insureds/applicants for a copy of the information in response to an AUD pursuant to 38.2-608 D. Therefore, when the company sends an AUD to an insured/applicant the AUD notice should not state the company may charge a fee for providing the information.**

Response: The Company is in the process of modifying the AUD notice as requested by the Bureau in the following manner:

- Clarified that the insured is entitled to the specific reasons for the adverse underwriting decision with only a written request
- Replaced any reference to "Consumer Reports" with Personal Information
- Included a statement to advise the insured their inquiry will be maintained in our company file
- There is no reference to the company charging the customer a fee for requesting a copy of his personal information under this revised format AUD notice

We believe the notification now complies with §38.2-608 and 609 of the Code of Virginia and anticipate the changes will go into production no later than November of 2014. An example of the proposed modifications is included for your review. Please refer to Exhibit 12_AUD Example.

In addition to the AUD notice, the company provided the Bureau with a copy of what we refer to as the "Summary of Rights" (please refer to Exhibit 13_Summary of Rights), this document is provided to all customers at policy issuance and renewal. The reference to the company charging the customer a fee for requesting a copy of his personal information will be removed. The company anticipates this change will go into production in early 2015. We will advise you of the specific date for implementation of this change as soon as it is confirmed.

10. **Please provide the SERFF filing number under which the company modified the "time since the latest conviction" within the Minor and Major Conviction Surcharge rules. Additionally, please provide a copy of the agent communication regarding accidents obtained via a motor vehicle report and documenting the customer file**

for the Military discount.

Response: The SERFF Filing Numbers are provided below. Please refer to Exhibit 11_VA Auto and Home Compliance Reminders for the agent communications.

- SERFF Filing Number - NWPC-129444227 (included modifications to "time since the latest conviction" within the Minor and Major Conviction Surcharge rules)
- SERFF Filing Number is NWPC-129636476 (included modifications to the Experience Period rule)

Claims Review

6. The company should clarify its response on pages 22 and 23. The company discussed responding to correspondence within 10 business days and documenting the claim file that all coverages are discussed with insureds.

Response: In the original claims response, the Company inadvertently included an example of another violation in the response to the acknowledgement of correspondence in ten business days. The example has been removed from the response below. The Company has confirmed the meetings held addressed responding to all correspondence that reasonably suggests a reply is expected within ten days. We have also confirmed this has become a part of the Company's new hire training and on-boarding process, and is incorporated into annual refresher training conducted for associates.

6. Acknowledge correspondence that reasonably suggests a reply is expected from insureds and claimants within ten business days.

Revised Company Response:

- Regarding the Company's Casualty teams, meetings were held on October 7, 2013, October 14, 2013, October 24, 2013, and October 31, 2013. There was also a two-day, in-person meeting held on November 7, 2013 and November 8, 2013. During these meetings, the Company reviewed and addressed the acknowledgement of correspondence that reasonably suggests a reply is expected within ten business days. When appropriate, the Company will use the review sheets noted in VAC 5-400-50 C/1 as examples. Following those meetings the Company tasked all casualty managers with holding one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations. Each manager will also ensure that all of their associates attend Best Claims Practices training annually. Additionally quarterly file reviews will be completed to measure performance expectations, adherence to the Company's Best Claims Practices and to ensure compliance with all state laws and regulations.
- The Casualty Claim Management Team also met with the Casualty Trainers on October 7, 2013, October 14, 2013, October 24, 2013, and October 31, 2013, November 1, 2013, and January 13, 2014 to review the results of the exam and to ensure the acknowledgement of correspondence that reasonably suggests a reply is expected within ten business days, and to ensure it is part of the Company's new hire training and on-boarding process, and is incorporated into annual refresher training conducted for associates.
- Regarding the Company's Material Damage teams, meetings were held on October 1, 2013, October 14, 2013, October 16, 2013, October 17, 2013, and October 18, 2013. Those were followed by a two-day, in-person meeting held on October 29, 2013 and October 30, 2013. In order to continue to reinforce the message, that meeting was followed up by several smaller group leadership meetings on 11/5/13, 11/20/13, 12/17/13, 12/19/13, 12/20/13, 1/15/14 and 2/20/14. During each of those meetings, the Company reinforced the acknowledgement of correspondence that reasonably suggests a reply is expected within ten business days. Where appropriate, the Company will use the review sheets noted in VAC 5-400-50 C/1 as examples. Following those meetings the Company tasked all material damage managers with holding one on one and team meetings with their associates to review the opportunities noted above and to discuss expectations. Each manager will also ensure that all of their associates attend Best Claims Practices training annually. Additionally quarterly file reviews will be completed to measure performance expectations, adherence to the Company's Best Claims Practices and to ensure compliance with all state laws and regulations.
- The Material Damage Claim Management Team also met with the Material Damage Trainer on November 13, 2013 and November 20, 2013 to review the results of the exam and to ensure the acknowledgement of correspondence that reasonably suggests a reply is expected within ten business days, and to ensure it is part of the Company's new hire training and on-boarding process, and is incorporated into annual refresher training conducted for associates.

Forms Review

1. **Please provide a copy of the V-045-D and V-3124 A forms that were amended to be in the precise language of the standard auto forms.**

Response: Please refer to Exhibit 2_Auto Policy V045E (Replaces V-045-D) and Exhibit 3_Named Non-Owner V3124B (Replaces V-3124A).

2. **Please provide a copy of the Reinstatement and Suspension of Insurance forms implemented by the company.**

Response: Please refer to Exhibit 4_V2542A (Suspension of Insurance) and Exhibit 5_V2543 (Reinstatement of Insurance).

4. **Please provide a copy of the fire 2791-53 and Fire 2792-53 forms that were amended to include the replacement cost provisions.**

Response: The changes to the replacement cost provisions for the Tenant (Fire 2791-53) and Condominium (Fire 2792-53) policies were included in the attached Amendatory Endorsement that is issued with each Tenant and Condominium policy. Please refer to Page 5 of Exhibit 6_Fire3479G (Amendatory End for Tenant & Condo).

Policy Issuance

4. **Please provide a copy of a homeowner declaration page showing the type of insurer.**

Response: Please refer to Page 4 of Exhibit 8_Homeowner Declaration.

Statutory Notices

1. **Please provide a copy of the revised Notice of Information Collection and Disclosure Practices.**

Response: Please refer to Exhibit 7_G933345 (Privacy Statement).

3. **Please provide a copy of the revised Notice of Financial Information Collection and Disclosure Practices.**

Response: Please refer to Exhibit 7_G933345 (Privacy Statement).

4. **We acknowledge the company's correction to the AUD notice that is sent with every policy. Please note (1) the AUD notice should only be sent to insureds/applicants when an AUD occurs, (2) the AUD notice should clearly state the reason for the AUD or state the insured may obtain those reasons, (3) the company is not permitted to charge insureds/applicants for a copy of the information in response to an AUD pursuant to 38.2-608 D. Therefore, when the company sends an AUD to an insured/applicant the AUD notice should not state the company may charge a fee for providing the information.**

Response: The Company is in the process of modifying the AUD notice as requested by the Bureau in the following manner:

- Clarified that the insured is entitled to the specific reasons for the adverse underwriting decision with only a written request
- Replaced any reference to "Consumer Reports" with Personal Information
- Included a statement to advise the insured their inquiry will be maintained in our company file
- There is no reference to the company charging the customer a fee for requesting a copy of his personal information under this revised format AUD notice

We believe the notification now complies with §38.2-608 and 609 of the Code of Virginia and anticipate the changes will go into production no later than November of 2014. An example of the proposed modifications is included for your

review. Please refer to Exhibit 12_AUD Example.

In addition to the AUD notice, the company provided the Bureau with a copy of what we refer to as the "Summary of Rights" (please refer to Exhibit 13_Summary of Rights), this document is provided to all customers at policy issuance and renewal. The reference to the company charging the customer a fee for requesting a copy of his personal information will be removed. The company anticipates this change will go into production in early 2015. We will advise you of the specific date for implementation of this change as soon as it is confirmed.

5. **Please provide a copy of the auto application showing the 60-day Cancellation Warning notice.**

Response: Please refer to Page 1 of Exhibit 9_Auto Internet Application.

6. **Please provide a copy of the revised Credit Score Disclosure notice.**

Response: Please refer to Page 6 of Exhibit 10_Auto Application.

Completion of Training

Finally, the Company's Office of General Counsel completed the training of company associates involved in the policy termination process, as referenced on page 9 of our response of June 11, 2014, addressing deficiencies identified under the Termination Review section of the Examination Report and the corrective actions required to assure compliance on August 4, 2014 in the Company Raleigh Service Center Office.

Thanks,

Cheryl



Cheryl Lynn Davis, AMCM, ACS, AIRC
Senior Compliance Director, Market Conduct Group
Office of Compliance | Nationwide
One Nationwide Plaza, 1-35-102
Columbus, Ohio 43215
W 614-249-4580 | C 614-296-9534 | F 855-399-3567
davis60@nationwide.com

Nationwide Mutual Insurance Company and its subsidiaries (Nationwide) consistently assert claims of confidentiality and trade secret whenever this type of information is submitted to the Virginia Bureau of Insurance under Va. Code Ann. section 38.2-221.1. Such information could be used to cause competitive harm if supplied to Nationwide's competitors. It is the position of Nationwide that all of the information contained in this letter and the responses attached hereto are the confidential, proprietary and trade secret property of Nationwide, and are submitted to the Virginia Bureau of Insurance solely under this condition.

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



P.O. BOX 1157
RICHMOND, VIRGINIA 23218
TELEPHONE: (804) 371-9741
TDD/VOICE: (804) 371-9206
www.scc.virginia.gov/boi

August 25, 2014

VIA UPS 2nd DAY DELIVERY

Cheryl Davis, MCM, AIRC, ACS
Market Conduct Director
Nationwide Insurance
One Nationwide Plaza, 1-35-102
Columbus, OH 43215

Re: Market Conduct Examination
Nationwide Mutual Fire Insurance Company (NAIC # 23779)
Nationwide Property and Casualty Insurance Company (NAIC # 37877)
Examination Period: April 1, 2011 through March 31, 2012

Dear Ms. Davis:

The Bureau of Insurance (Bureau) has concluded its review of the companies' response of June 11, 2014 and subsequent email of August 6, 2014. Based upon the Bureau's review of the companies' letter, we are now in a position to conclude this examination. Enclosed is the final Market Conduct Examination Report of Nationwide Mutual Fire Insurance Company and Nationwide Property and Casualty Insurance Company (Report).

Based on the Bureau's review of the Report and the companies' responses, it appears that a number of Virginia insurance laws and regulations have been violated, specifically:

Sections 38.2-305 A, 38.2-305 B, 38.2-317 A, 38.2-502, 38.2-510 A1, 38.2-510 A3, 38.2-511, 38.2-517 A, 38.2-604 A, 38.2-604 B, 38.2-604 C, 38.2-604.1, 38.2-610 A, 38.2-1318, 38.2-1906 D, 38.2-2103, 38.2-2113 C, 38.2-2114 A, 38.2-2114 B, 38.2-2114 C, 38.2-2119 B, 38.2-2126 A, 38.2-2210 A, 38.2-2212 D, 38.2-2212 E, 38.2-2220, 38.2-2234 A, 38.2-2234 B, 38.2-2234 E, of the Code of Virginia; and 14 VAC 5-400-30, 14 VAC 5-400-40 A, 14 VAC 5-400-50 C, 14 VAC 5-400-70 A, 14 VAC 5-400-80 D of the Virginia Administrative Code.

Violations of the laws mentioned above provide for monetary penalties of up to \$5,000 for each violation as well as suspension or revocation of an insurer's license to engage in the insurance business in Virginia.

Ms. Davis
August 25, 2014
Page 2

In light of the above, the Bureau will be in further communication with you shortly regarding the appropriate disposition of this matter.

Sincerely,

A handwritten signature in black ink that reads "Joy M. Morton". The signature is written in a cursive style with a large, stylized initial "J".

Joy M. Morton
Supervisor
Market Conduct Section
Property & Casualty Division
(804) 371-9540
joy.morton@scc.virginia.gov



Nationwide®
Is on your side

STATE CORP COMMISSION
BUREAU OF INSURANCE
14 SEP 15 AM 10:34

Mary Bannister
Deputy Commissioner
Property and Casualty
Bureau of Insurance
P. O. Box 1157
Richmond, VA 23218

400105

RE: Market Conduct Examination Settlement Offer
Nationwide Mutual Fire Insurance Company
Nationwide Property & Casualty Insurance Company

Dear Ms. Bannister:

This will acknowledge receipt of the Bureau of Insurance's letter dated August 27, 2014, concerning the above referenced matter.

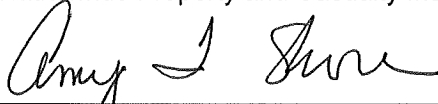
We wish to make a settlement offer on behalf of the insurance companies listed below for the alleged violations of §§ 38.2-305 A, 38.2-305 B, 38.2-317 A, 38.2-502, 38.2-510 A1, 38.2-510 A3, 38.2-511, 38.2-517 A, 38.2-604 A, 38.2-604 B, 38.2-604 C, 38.2-604.1, 38.2-610 A, 38.2-1318, 38.2-1906 D, 38.2-2103, 38.2-2113 C, 38.2-2114 A, 38.2-2114 B, 38.2-2114 C, 38.2-2119 B, 38.2-2126 A, 38.2-2210 A, 38.2-2212 D, 38.2-2212 E, 38.2-2220, 38.2-2234 A, 38.2-2234 B, 38.2-2234 E, of the Code of Virginia; and 14 VAC 5-400-30, 14 VAC 5-400-40 A, 14 VAC 5-400-50 C, 14 VAC 5-400-70 A, 14 VAC 5-400-80 D of the Virginia Administrative Code.

1. We enclose with this letter a check payable to the Treasurer of Virginia in the amount of \$225,800.
2. We agree to comply with the corrective action plan set forth in the companies' letter of June 11, 2014 and email of August 6, 2014.
3. We confirm that restitution was made to 62 consumers for \$12,547.81 in accordance with the companies' letter of June 11, 2014 and August 6, 2014 email.
4. We further acknowledge the companies' right to a hearing before the State Corporation Commission in this matter and waive that right if the State Corporation Commission accepts this offer of settlement.

This offer is being made solely for the purpose of a settlement and does not constitute, nor should it be construed as, an admission of any violation of law.

Sincerely,

Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company



(Signed)

Amy T. Shore
President - Nationwide P&C Exclusive Distribution
September 12, 2014

COMMONWEALTH OF VIRGINIA

**JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE**



**P.O. BOX 1157
RICHMOND, VIRGINIA 23218
TELEPHONE: (804) 371-9741
TDD/VOICE: (804) 371-9206
www.scc.virginia.gov/boi**

Nationwide Mutual Fire Insurance Company and Nationwide Property & Casualty Insurance Company have tendered to the Bureau of Insurance the settlement amount of \$225,800 by their check numbered 7010005460 and dated September 12, 2014, a copy of which is located in the Bureau's files.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, SEPTEMBER 25, 2014
SCC-CLERK'S OFFICE
REGULATORY CONTROL CENTER
2014 SEP 25 P 1: 24

14094 0020

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2014-00206

NATIONWIDE PROPERTY AND CASUALTY
INSURANCE COMPANY
and
NATIONWIDE MUTUAL FIRE INSURANCE
COMPANY,
Defendants

SETTLEMENT ORDER

Based on a market conduct examination performed by the Bureau of Insurance ("Bureau"), it is alleged that Nationwide Property and Casualty Insurance Company and Nationwide Mutual Fire Insurance Company (collectively, "Defendants"), duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia ("Commonwealth"), violated §§ 38.2-305 A and 38.2-305 B of the Code of Virginia ("Code") by failing to provide the information required by the statute in the insurance policies; violated § 38.2-502 of the Code by misrepresenting the benefits, advantages, conditions or terms of insurance policies; violated § 38.2-511 of the Code by failing to have complete complaint registers; violated §§ 38.2-517 A, 38.2-604 A, 38.2-604 B, 38.2-604 C, 38.2-604.1, 38.2-610 A, 38.2-2126 A, 38.2-2210 A, and 38.2-2234 A of the Code by failing to accurately provide the required notices to insureds; violated § 38.2-1318 of the Code by failing to provide convenient access to the files, documents, and records relating to the examinations; violated § 38.2-1906 D of the Code by making or issuing insurance contracts or policies not in accordance with the rate and supplementary rate information filings in effect for the Defendants;

violated § 38.2-2103 of the Code by failing to indicate in the policies if the Defendants are a stock, mutual or reciprocal company; violated §§ 38.2-2113 C, 38.2-2114 A, 38.2-2114 B, 38.2-2114 C, 38.2-2212 D, and 38.2-2212 E of the Code by failing to properly terminate insurance policies; violated §§ 38.2-317 A and 38.2-2119 B of the Code by failing to file forms with the Bureau prior to use; violated § 38.2-2220 of the Code by failing to use the standard auto forms in the precise language filed and adopted by the Bureau; violated § 38.2-2234 B of the Code by failing to rate policies with proper credit information; violated § 38.2-2234 E of the Code by failing to obtain updated credit information; and violated §§ 38.2-510 A (1) and 38.2-510 A (3) of the Code, as well as 14 VAC 5-400-30, 14 VAC 5-400-40 A, 14 VAC 5-400-50 C, 14 VAC 5-400-70 A, and 14 VAC 5-400-80 D of the Commission's Rules Governing Unfair Claim Settlement Practices, 14 VAC 5-400-10 *et seq.*, by failing to properly handle claims with such frequency as to indicate a general business practice.

The Commission is authorized by §§ 38.2-218, 38.2-219, and 38.2-1040 of the Code to impose certain monetary penalties, issue cease and desist orders, and suspend or revoke a defendant's license upon a finding by the Commission, after notice and opportunity to be heard, that a defendant has committed the aforesaid alleged violations.

The Defendants have been advised of their right to a hearing in this matter whereupon the Defendants, without admitting any violation of Virginia law, have made an offer of settlement to the Commission wherein the Defendants have tendered to the Commonwealth the sum of \$225,800, waived their right to a hearing, agreed to comply with the corrective action plan set forth in their letters to the Bureau dated June 11, 2014, and August 6, 2014, and confirmed that restitution was made to 62 consumers in the amount of \$12,547.81.

The Bureau has recommended that the Commission accept the offer of settlement of the Defendants pursuant to the authority granted the Commission in § 12.1-15 of the Code.

NOW THE COMMISSION, having considered the record herein, the offer of settlement of the Defendants, and the recommendation of the Bureau, is of the opinion that the Defendants' offer should be accepted.

Accordingly, IT IS ORDERED THAT:

(1) The offer of the Defendants in settlement of the matter set forth herein is hereby accepted.

(2) This case is dismissed, and the papers herein shall be placed in the file for ended causes.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Cheryl Davis, Market Conduct Director, Nationwide Insurance, One Nationwide Plaza, 1-35-102, Columbus, Ohio 43215; and a copy shall be delivered to the Commission's Office of General Counsel and the Bureau of Insurance in care of Deputy Commissioner Mary M. Bannister.