

Report  
of the  
Examination of  
Nationwide Insurance Company of America  
Madison, Wisconsin  
As of December 31, 2011

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# State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor  
Theodore K. Nickel, Commissioner

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May 9, 2013

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Honorable Theodore K. Nickel  
Commissioner of Insurance  
State of Wisconsin  
125 South Webster Street  
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

NATIONWIDE INSURANCE COMPANY OF AMERICA  
Madison, Wisconsin

and this report is respectfully submitted.

## I. INTRODUCTION

The previous examination of Nationwide Insurance Company of America (the company) was conducted in 2007 as of December 31, 2006. The current examination covered the intervening period ending December 31, 2011, and included a review of such 2012 transactions as deemed necessary to complete the examination.

The examination was conducted using a risk-focused approach in accordance with the NAIC Financial Condition Examiners Handbook, which sets forth guidance for planning and performing an examination to evaluate the financial condition and identify prospective risks of an insurer. This approach includes the obtaining of information about the company including corporate governance, the identification and assessment of inherent risks within the company, and the evaluation of system controls and procedures used by the company to mitigate those risks. The examination also included an assessment of the principles used and significant estimates made by management, as well as an evaluation of the overall financial statement

presentation and management's compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations.

The examination of the company was conducted concurrently with the examination of Nationwide Mutual Insurance Company. Representatives of the Ohio Department of Insurance acted in the capacity as the lead state for the coordinated exams. Work performed by the Ohio Department of Insurance was reviewed and relied on where deemed appropriate.

The examination consisted of a review of all major phases of the company's operations and included the following areas:

- History
- Management and Control
- Corporate Records
- Conflict of Interest
- Fidelity Bonds and Other Insurance
- Employees' Welfare and Pension Plans
- Territory and Plan of Operations
- Affiliated Companies
- Growth of Company
- Reinsurance
- Financial Statements
- Accounts and Records
- Data Processing

Emphasis was placed on the audit of those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

**Independent Actuary's Review**

The Ohio Department of Insurance actuary reviewed the loss and loss adjustment expense reserves of the Nationwide Group for adequacy. The actuary's results were reported to the Ohio Department of Insurance examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

## II. HISTORY AND PLAN OF OPERATION

The company was organized in 1926 as Wolverine Insurance Company. It was incorporated on June 30, 1960, under the laws of California as Spartan Insurance Company and began business on August 31, 1960. The company was purchased by Transamerica Insurance Company in 1962. The name was changed to Countrywide Insurance Company in 1968, to Transamerica Countrywide Insurance Company in 1981, and back to Countrywide Insurance Company in 1985. In 1990, the company name was again changed back to its former name, Transamerica Countrywide Insurance Company. The company was purchased and taken public by TIG Holdings, Inc., through public offerings in April and December of 1993. The name was changed to TIG Countrywide Insurance Company on December 31, 1993, after the second public offering, which reduced Transamerica's ownership to zero. Nationwide Mutual Insurance Company acquired TIG Countrywide as a shell from TIG Holdings, Inc., on December 31, 1997, concurrent with its acquisition of TIG Holdings' independent agency personal lines business, which TIG Countrywide assumed. The company redomiciled from California to Wisconsin in 1999 and adopted the current name of Nationwide Insurance Company of America. Nationwide Mutual Insurance Company contributed all of the company's issued and outstanding stock to the Allied Group, Inc., in 1999.

In 2011, the company wrote direct premium in the following states:

North Carolina	\$145,204,768	15.1%
California	141,045,012	14.7
Pennsylvania	120,101,069	12.5
New York	99,116,948	10.3
Ohio	97,924,018	10.2
Florida	73,181,878	7.6
South Carolina	44,291,335	4.6
Washington	40,617,242	4.2
Oregon	35,252,399	3.7
All others	<u>165,165,802</u>	<u>17.1</u>
Total	<u>\$961,900,471</u>	<u>100.0%</u>

The company is licensed in the District of Columbia and all U.S. states except Hawaii, Louisiana, New Hampshire and Vermont.

The major products marketed by the company include private passenger auto liability, auto physical damage and homeowner's multiple peril. The major products are marketed

through the Nationwide Mutual Insurance Company independent and exclusive agency channels.

The following table is a summary of the net insurance premiums written by the company in 2011. The growth of the company is discussed in the “Financial Data” section of this report.

<b>Line of Business</b>	<b>Direct Premium</b>	<b>Reinsurance Assumed</b>	<b>Reinsurance Ceded</b>	<b>Net Premium</b>
Fire	\$ 3,467,958	\$ 0	\$ 3,467,958	\$0
Allied lines	2,540,332	0	2,540,332	0
Farmowners multiple peril	247,182	0	247,182	0
Homeowner’s multiple peril	58,112,300	0	58,112,300	0
Commercial multiple peril	22,658,451	0	22,658,451	0
Inland marine	1,290,994	0	1,290,994	0
Earthquake	1,996,153	0	1,996,153	0
Other liability – occurrence	7,251,069	0	7,251,069	0
Products liability – occurrence	446,944	0	446,944	0
Private passenger auto liability	516,060,995	5,612,488	521,673,483	0
Commercial auto liability	7,595,985	358,095	7,954,080	0
Auto physical damage	339,552,968	0	339,552,968	0
Burglary and theft	55,826	0	55,826	0
Boiler and machinery	<u>623,312</u>	<u>0</u>	<u>623,312</u>	<u>0</u>
<b>Total All Lines</b>	<b><u>\$961,900,469</u></b>	<b><u>\$5,970,583</u></b>	<b><u>\$967,871,052</u></b>	<b><u>\$0</u></b>

### III. MANAGEMENT AND CONTROL

#### Board of Directors

Nationwide Insurance Company of America's bylaws provide that the board of directors shall have five or more members. The current board of directors consists of five members. The directors are elected annually to serve a one-year term. All directors hold office until their respective successors are elected and qualified. Board vacancies may be filled for the unexpired term by a vote of the majority of the board members present if they constitute a quorum. Officers are elected at the board's annual meeting. Members of the company's board of directors may also be members of other boards of directors in the holding company group. As executive employees of the holding company system, the directors receive no compensation specific to their service on the company's board.

Currently the board of directors consists of the following persons:

<b>Name and Residence</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
Wesley K. Austen Columbus, Ohio	Chairman of the Board	2013
Mark A. Berven Dublin, Ohio	Senior Vice President	2013
Lawrence A. Hilsheimer New Albany, Ohio	President and Chief Operating Officer Nationwide Retirement Plans	2013
Mark A. Pizzi Westerville, Ohio	President and Chief Operating Officer Nationwide Insurance	2013
Michael A. Lex Dublin, Ohio	President Nationwide National Partners	2013

#### Officers of the Company

The officers serving at the time of this examination are as follows:

<b>Name</b>	<b>Office</b>	<b>2012 Compensation*</b>
Wesley K. Austen	President and Chief Operating Officer – Allied Group	Not Allocated
Wendell P. Crosser	Vice President – Finance and Treasurer	Not Allocated
Robert W. Horner, III	Vice President and Secretary	Not Allocated

\* The company's officers are paid by other affiliates and no portion of the expense of their compensation is allocated to Nationwide Insurance Company of America.



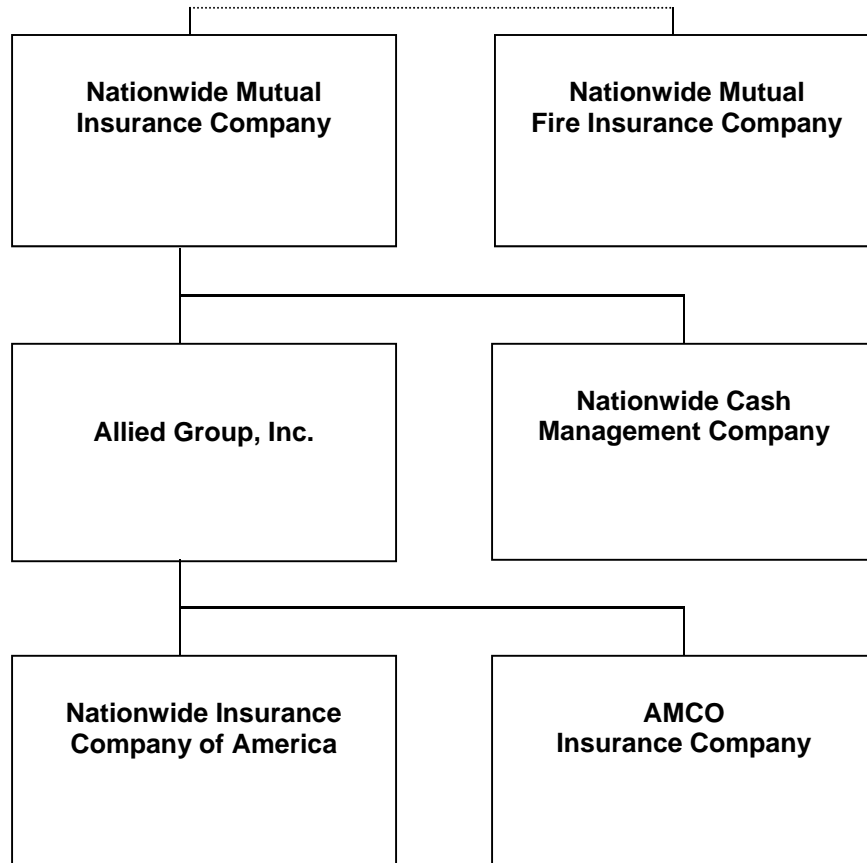
### **Committees of the Board**

Although the company's bylaws allow for the formation of certain committees by the board of directors, all committees at the time of the examination are organized at the corporate enterprise level.

#### IV. AFFILIATED COMPANIES

Nationwide Insurance Company of America is a member of a holding company system. The organizational chart below depicts the relationships among the affiliates in the group that control Nationwide Insurance Company of America or with which the company has reinsurance or service agreements. The Nationwide Group is ultimately controlled by two mutual insurers, Nationwide Mutual Insurance Company and Nationwide Mutual Fire Insurance Company. The above entities are sister companies under the same management control which operate in tandem as the ultimate controlling entities for all subsidiaries. A brief description of the significant affiliates follows the simplified organizational chart.

**Organizational Chart  
As of December 31, 2011**



#### **Nationwide Mutual Insurance Company (NMIC)**

Nationwide Mutual Insurance Company provides personal automobile, property and commercial insurance products and services through exclusive and independent agents in all

states as well as the District of Columbia and the U.S. Virgin Islands. NMIC is the administrator of the Nationwide Pooling Agreement with a pool sharing percentage of 83.7%. As of December 31, 2011, the audited financial statements of Nationwide Mutual Insurance Company reported assets of \$27,617,831,419, liabilities of \$17,182,942,679, and surplus as regards policyholders of \$10,434,888,740. Operations for 2011 produced a net loss of \$910,107,691.

**Nationwide Mutual Fire Insurance Company (NMFIC)**

Nationwide Mutual Fire Insurance Company provides private passenger auto, homeowner's multiple peril and commercial multiple peril coverage in all U.S. states as well as the District of Columbia and the U.S. Virgin Islands. Nationwide Mutual Fire Insurance Company shares in the Nationwide Pooling Agreement with a pooling participation percentage of 11.3%. As of December 31, 2011, the audited financial statements of Nationwide Mutual Fire Insurance Company reported assets of \$4,553,400,810, liabilities of \$2,310,246,490, and surplus as regards policyholders of \$2,243,154,320. Operations for 2011 produced a net loss of \$8,639,958.

**Nationwide Cash Management Company (NCMC)**

Nationwide Cash Management Company is a non-insurance, wholly owned subsidiary of Nationwide Mutual Insurance Company. NCMC is a stock corporation incorporated under the laws of the state of Ohio. The company acts in the capacity of an in-house money market fund through the purchase and sale of investment securities of a short-term nature as the agent for other corporations, foundations and insurance company separate accounts, including Nationwide Insurance Company of America. As of December 31, 2011, the unaudited financial statements of Nationwide Cash Management Company reported assets of \$2,075,239,675, liabilities of \$2,066,259,851, and shareholders' equity of \$8,979,824. Operations for 2011 produced net income of \$0.

**Allied Group, Inc.**

The Allied Group, Inc., represents the independent agency channel of the Nationwide Mutual Insurance Company. The Allied Group, Inc., is composed of various wholly owned subsidiaries, including AMCO Insurance Company, which provides reinsurance coverage for Nationwide Insurance Company of America products not covered by Nationwide Mutual Insurance Company. As of December 31, 2011, the audited financial statements of the Allied Group, Inc., reported assets of \$1,750,508,000, liabilities of \$26,721,000, and policyholder surplus of \$1,723,787,000. Operations for 2011 produced a net income of \$6,976,000.

**AMCO Insurance Company**

AMCO Insurance Company is a wholly owned subsidiary of the Allied Group, Inc., which was incorporated on December 31, 1958, in the state of Iowa. As of December 31, 2011, the audited financial statements of AMCO Insurance Company reported assets of \$1,873,900,541, liabilities of \$1,410,487,295, and surplus as regards policyholders of \$463,413,246. Operations for 2011 produced net income of \$15,567,860.

**Agreements with Affiliates**

Nationwide Insurance Company of America has the following affiliate agreements.

**Cost Sharing Agreement**

Nationwide Mutual Insurance Company provides various operational and administrative services to the company under a Second Amended & Restated Cost Sharing Agreement, effective January 1, 2011. Operational services provided under the agreement include functions associated with field acquisition, policy processing and administration, data processing, accounting, actuarial and investment. Administrative services provided under the agreement include functions associated with payroll, benefits, investment management, legal and human resources.

Costs associated with these services are allocated based on various standard cost accounting procedures which are in conformity with NAIC statutory accounting principles.

Methods used to allocate costs to respective parties include special cost studies, individual time

estimates, claim counts, policies in force, direct premium written or pro rata share. The agreement remains in effect until terminated by either party providing 90 days' written notice.

#### **Investment Agency Cost Allocation Agreement**

Nationwide Cash Management Company, a subsidiary of NMIC, acts as agent on behalf of Nationwide Insurance Company of America in handling the purchase and sale of short-term securities under an Investment Agency Cost Allocation Agreement, effective November 14, 2002. Nationwide Cash Management Company's authority as agent encompasses the purchase, sale or transfer of investments, collection and account credit of all dividends, interest and other investment income as well as the proceeds from the sale, redemption, or other disposition of investments and the maintenance of agent bank accounts to hold funds. The agreement may be terminated at the end of each business day by the company upon written notice to the agent and at any time by the agent upon 30 days' written notice.

#### **Tax Sharing Agreement**

Nationwide Mutual Insurance Company provides consolidated federal income tax return filing to affiliates, including Nationwide Insurance Company of America, under a revised Tax Sharing Agreement, effective January 1, 2008. NMIC's consolidated tax return preparation and filing responsibilities under the agreement include consolidated federal, state or local income tax return filing on behalf of the affiliates for eligible years, amended return filing, acting as agent for the affiliate in the event of any tax audit, administrative or judicial proceedings and retention of copies of all tax return related work papers. Subsidiary responsibilities under the Tax Sharing Agreement include payment to NMIC of an amount equal to the income tax liability attributable to such subsidiary within 90 days following the filing of group tax returns, payment to NMIC of tax liabilities which may be incurred related to estimated taxes, tax deficiencies, interest or penalties and providing information required in connection with tax return preparation.

## V. REINSURANCE

The company's major reinsurance agreements in force at the time of the examination are summarized below. The contracts contained proper insolvency provisions.

### Affiliated Ceding Contracts

1. Type: 100% Quota Share  
Reinsurer: Nationwide Mutual Insurance Company  
Scope: All business processed on Nationwide's Columbus, Ohio, based systems for the exclusive agency distribution channel  
Coverage: 100% of all liabilities, net of existing reinsurance, under policies and contracts of insurance and reinsurance written subsequent to the date of this agreement  
  
100%, net of existing reinsurance, of the liability for all claims sustained whether occurring before, on, or subsequent to the effective date of this agreement  
Premium: 100% of net premium  
Effective date: January 1, 2011  
Termination: Agreement is entered into for term of one year, but automatically renews upon anniversary of effective date. Can terminate with 365-day prior notice.
2. Type: 100% Quota Share  
Reinsurer: AMCO Insurance Company  
Scope: Business processed on Nationwide's Des Moines, Iowa, based systems for the exclusive agency distribution channel, independent agency distribution channel and the TIG Countrywide Insurance Company runoff  
Coverage: 100% of all liabilities, net of existing reinsurance, under policies and contracts of insurance and reinsurance written subsequent to the date of this agreement  
  
100%, net of existing reinsurance, of the liability for all claims sustained whether occurring before, on, or subsequent to the effective date of this agreement  
Premium: 100% of net premium  
Effective date: January 1, 2005  
Termination: Agreement is entered into for an indefinite period, but may be cancelled at any time upon 90 days' advance written notice

3. Type: 100% Quota Share
- Reinsurer: National Casualty Company
- Scope: Certain types of coverage that are included in general liability policies issued under the farmowners program
- Coverage: 100% of all liabilities of policies described in scope
- Premium: 100% of net premium less ceding commission
- Effective date: January 1, 2010
- Termination: 90 days' advance written notice

## **VI. FINANCIAL DATA**

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2011, annual statement. Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination."



**Nationwide Insurance Company of America**  
**Assets**  
**As of December 31, 2011**

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$ 93,714,405	\$ 0	\$ 93,714,405
Stocks:			
Preferred stocks			
Common stocks	716,445	0	716,445
Cash, cash equivalents, and short-term investments	9,585,481	0	9,585,481
Investment income due and accrued	556,452	0	556,452
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	12,107,375	0	12,107,375
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	67,413,326	0	67,416,326
Reinsurance:			
Amounts recoverable from reinsurers	57,627,157	0	57,627,157
Funds held by or deposited with reinsured companies	807	0	807
Other amounts receivable under reinsurance contracts	17,761,314	0	17,761,314
Net deferred tax asset	1,359,549	471,880	887,669
Receivable from parent, subsidiaries, and affiliates	8,369,082	16,708	8,352,374
Write-ins for other than invested assets:			
Equities and deposits in pools and associations	2,659,218	0	2,659,218
Miscellaneous assets	<u>7,373</u>	<u>4,112</u>	<u>3,261</u>
<b>Total Assets</b>	<b><u>\$271,877,984</u></b>	<b><u>\$492,700</u></b>	<b><u>\$271,385,284</u></b>

**Nationwide Insurance Company of America**  
**Liabilities, Surplus, and Other Funds**  
**As of December 31, 2011**

Current federal and foreign income taxes		\$ 234,103
Ceded reinsurance premiums payable (net of ceding commissions)		143,365,068
Payable to parent, subsidiaries, and affiliates		19,142,368
Write-ins for liabilities:		
State surcharge/recoupment payable		717,733
Escrow liability		548,012
Miscellaneous liabilities		<u>2,282,700</u>
 Total liabilities		 166,289,984
 Common capital stock	\$ 3,375,000	
Gross paid in and contributed surplus	74,591,382	
Unassigned funds (surplus)	<u>27,128,918</u>	
Surplus as regards policyholders		<u>105,095,300</u>
 Total Liabilities and Surplus		 <u>\$271,385,284</u>

**Nationwide Insurance Company of America**  
**Summary of Operations**  
**For the Year 2011**

**Investment Income**

Net investment income earned	\$2,299,826	
Net realized capital gains (losses)	<u>1,441,803</u>	
Net investment gain (loss)		\$3,741,629
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		3,741,629
Federal and foreign income taxes incurred		<u>(495,776)</u>
Net Income		<u>\$4,237,405</u>

**Nationwide Insurance Company of America**  
**Cash Flow**  
**For the Year 2011**

Premiums collected net of reinsurance		\$ (1,376,973)
Net investment income		2,343,870
Miscellaneous income		<u>3,294,351</u>
Total		4,261,248
Benefit- and loss-related payments	\$ 3,665,586	
Federal and foreign income taxes paid (recovered)	<u>(979,480)</u>	
Total deductions		<u>2,686,106</u>
Net cash from operations		1,575,142
Proceeds from investments sold, matured, or repaid:		
Bonds	\$74,700,825	
Miscellaneous proceeds	<u>29,314</u>	
Total investment proceeds		74,730,139
Cost of investments acquired (long-term only):		
Bonds	76,253,821	
Stocks	<u>819,136</u>	
Total investments acquired		<u>77,072,957</u>
Net cash from investments		(2,342,818)
Cash from financing and miscellaneous sources:		
Other cash provided (applied)	<u>335,926</u>	
Net cash from financing and miscellaneous sources		<u>335,926</u>
<b>Reconciliation:</b>		
Net change in cash, cash equivalents, and short-term investments		(431,750)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>10,017,231</u>
End of Year		<u>\$ 9,585,481</u>

**Nationwide Insurance Company of America  
Compulsory and Security Surplus Calculation  
December 31, 2011**

Assets	\$271,385,284
Less liabilities	<u>166,289,984</u>
Adjusted surplus	105,095,300
Compulsory surplus (subject to a minimum of \$2 million)	<u>2,000,000</u>
Compulsory Surplus Excess (or Deficit)	<u>\$103,095,300</u>
Adjusted surplus (from above)	\$105,095,300
Security surplus: (140% of compulsory surplus, factor reduced 1% for each \$33 million in premium written in excess of \$10 million, with a minimum factor of 110%)	<u>2,800,000</u>
Security Surplus Excess (or Deficit)	<u>\$102,295,300</u>

**Nationwide Insurance Company of America  
Analysis of Surplus  
For the Five-Year Period Ending December 31, 2011**

The following schedule details items affecting surplus during the period under examination as reported by the company in its filed annual statements:

	2011	2010	2009	2008	2007
Surplus, beginning of year	\$ 99,607,802	\$96,831,740	\$90,119,352	\$86,516,940	\$81,553,241
Net income	4,237,405	3,962,430	5,675,692	4,248,890	4,961,697
Change in net unrealized capital gains/losses	715,470	89,236	348,655	(102,483)	1,301
Change in net deferred income tax	(1,193,713)	(1,847,346)	(1,731,089)	(1,849,055)	(1,846,145)
Change in nonadmitted assets	<u>1,728,336</u>	<u>571,742</u>	<u>2,419,130</u>	<u>1,305,060</u>	<u>1,846,846</u>
Surplus, End of Year	<u>\$105,095,300</u>	<u>\$99,607,802</u>	<u>\$96,831,740</u>	<u>\$90,119,352</u>	<u>\$86,516,940</u>

**Nationwide Insurance Company of America  
Insurance Regulatory Information System  
For the Five-Year Period Ending December 31, 2011**

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below. Unusual IRIS results are denoted with asterisks and discussed below the table.

Ratio	2011	2010	2009	2008	2007
#1 Gross Premium to Surplus	921%*	866%	799%	825%	712%
#2 Net Premium to Surplus	0	0	0	0	0
#3 Change in Net Premiums Written	0	0	0	0	0
#4 Surplus Aid to Surplus	0	0	0	0	0
#5 Two-Year Overall Operating Ratio	0	0	0	0	0
#6 Investment Yield	2.3*	2.1*	2.5*	4.0	5.3
#7 Gross Change in Surplus	6	3	7	4	6
#8 Change in Adjusted Surplus	6	3	7	4	6
#9 Liabilities to Liquid Assets	95	104*	81	91	57
#10 Agents' Balances to Surplus	12	13	7	7	0
#11 One-Year Reserve Development to Surplus	0	0	0	0	0
#12 Two-Year Reserve Development to Surplus	0	0	0	0	0
#13 Estimated Current Reserve Deficiency to Surplus	0	0	0	0	0

Ratio No. 1 measures the adequacy of the cushion without the effect of premiums ceded to reinsurers. The higher the ratio, the more risk the insurer bears in relation to the

policyholders' surplus. The usual range for the ratio includes results up to 900%. Based on the company's pooling agreement it appears that the company is relying heavily on reinsurance. The company's reinsurer, Nationwide Mutual Insurance Company, is financially sound and makes prompt payments to the company. However, the company is still liable to the policyholder whether or not the reinsurer makes good on its obligations to the insurer. In 2013, the company has received a \$35 million capital contribution from Nationwide Mutual Insurance Company to resolve the gross premium to surplus ratio issue.

Ratio No. 6 provides the percentage of annual income on an investment portfolio. The usual range for this ratio includes results greater than 3.0% and less than 6.5%. The exceptional results for this ratio from 2009 to 2011 are attributable to the very low interest rate environment of recent years.

Ratio No. 9 is a measure of the insurer's ability to meet financial demands. The usual range for this ratio includes results below 100%. The increase in this ratio to over 100% in 2010 is mainly associated with a large increase in written premiums.

The zero IRIS ratio results reflect the impact of the company's 100% quota share contracts with the Nationwide Pool.

#### **Growth of Nationwide Insurance Company of America**

<b>Year</b>	<b>Admitted Assets</b>	<b>Liabilities</b>	<b>Surplus as Regards Policyholders</b>	<b>Net Income</b>
2011	\$271,385,284	\$166,289,984	\$105,095,300	\$4,237,405
2010	261,649,895	162,042,093	99,607,802	3,962,430
2009	241,987,523	145,155,783	96,831,740	5,675,692
2008	197,555,257	107,435,905	90,119,352	4,248,890
2007	134,108,410	47,591,470	86,516,940	4,961,697
2006	114,976,241	33,423,000	81,553,241	5,185,182

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2011	\$967,871,052	\$0	\$0	0.0%	0.0%	0.0%
2010	863,018,449	0	0	0.0	0.0	0.0
2009	774,019,046	0	0	0.0	0.0	0.0
2008	743,183,848	0	0	0.0	0.0	0.0
2007	615,772,667	0	0	0.0	0.0	0.0
2006	403,105,783	0	0	0.0	0.0	0.0

The increasing trend in gross premium written is attributed to business growth generated based on several initiatives. Nationwide Insurance Company of America's immediate parent, Allied Group, Inc. (Allied), has embarked on an aggressive plan to increase their market share in all existing states. Nationwide Mutual Insurance Company, parent company to Allied, also contributed to this gross premium written increase through entry into various states using Allied paper and their exclusive channels. Net premium written, premium earned and loss ratios of zero reflect the company's 100% quota share contracts with no participation in the Nationwide Group reinsurance pool.

#### **Reconciliation of Surplus per Examination**

No adjustments were made to surplus as a result of the examination. The amount of surplus of \$105,095,300 reported by the company as of December 31, 2011, is accepted.



## VII. SUMMARY OF EXAMINATION RESULTS

### Compliance with Prior Examination Report Recommendations

There were four specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Shareholder and Board of Directors' Actions Without a Meeting—It is recommended that the company comply with the intention of formal bylaw meeting requirements or amend its bylaws to clarify that "Action by Unanimous Written Consent Without a Meeting" is an acceptable alternative for all shareholder and board of directors' meetings.

Action—Compliance.

2. Bylaw Amendment Filing—It is recommended that the company file amendments to its bylaws within 60 days of such changes, pursuant to s. 611.12 (4), Wis. Stat.

Action—Compliance.

3. Board of Directors' Oversight—It is recommended that the minutes of the board of directors demonstrate more complete oversight as it relates to annual acknowledgment and acceptance of summary reports of investment transactions as well as auditor appointment.

Action—Compliance.

4. Intercompany Settlement—It is recommended that intercompany settlement, which also incorporates affiliated reinsurance account settlement, be completed on a monthly basis going forward to provide for timely settlement and minimize potential write-offs.

Action—Compliance.

### **Summary of Current Examination Results**

There were no adverse or material examination findings as a result of the current examination of the company.

## VIII. CONCLUSION

Nationwide Insurance Company of America reported admitted assets of \$271,385,284, liabilities of \$166,289,984 and surplus as regards policyholders of \$105,095,300 as of December 31, 2011.

The company cedes 100% of its business to its parent, Nationwide Mutual Insurance Company, with no participation in the Nationwide Group reinsurance pool. The company has been profitable for all years under review. The increasing trend in gross premium written is attributed to business growth generated based on several initiatives. Nationwide Insurance Company of America's immediate parent, Allied, has embarked on an aggressive plan to increase their market share in all existing states. Nationwide Mutual Insurance Company, parent company to Allied, also contributed to this gross premium written increase through entry into various states using Allied paper and their exclusive channels. Net premium written, premium earned and loss ratios of zero reflect the company's 100% quota share contracts with no Nationwide pool sharing.

The company has complied with all four prior examination recommendations and the current examination did not result in any recommendations. Additionally, the examination did not result in any adjustments to policyholders' surplus as reported by the company.

## **IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

There were no recommendations made as a result of this examination.

## X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

<b>Name</b>	<b>Title</b>
Tom Janke	Insurance Financial Examiner
Randy Milquet	IT Specialist

Respectfully submitted,

Amanda Schroeder  
Examiner-in-Charge