

Report of Examination of

Nationwide Property and Casualty Insurance Company
Columbus, Ohio

As of December 31, 2011

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Columbus, Ohio
December 14, 2012

Honorable Mary Taylor
Lt. Governor/Director
Ohio Department of Insurance
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Madam:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), the Ohio Department of Insurance (“Department”) conducted an examination of

Nationwide Property and Casualty Insurance Company

an Ohio domiciled, stock, property and casualty insurance company, hereinafter referred to as the (“Company.”) The Company is 100% owned by Nationwide Mutual Insurance Company (“NMIC.”) The examination was conducted at NMIC home office, located at One West Nationwide Boulevard, Columbus, Ohio.

Scope of Examination

The Department last examined the Company as of December 31, 2006. The current examination covers the period of January 1, 2007 through and including December 31, 2011.

The Department conducted the examination in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook. The Handbook requires that the Department plan and perform the examination to evaluate the Company’s financial condition and identify prospective risks including corporate governance, identify and assess inherent risks and evaluate system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

The State of Ohio took the lead role to perform the coordinated exam of NMIC and affiliates and the States of Arizona, California, Indiana, Iowa, Michigan, Texas, Vermont and Wisconsin were all participants on the group examination.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

For years covered under the examination, the certified public accounting firm of KPMG, LLP (“KPMG”) provided an unqualified opinion based on statutory accounting principles. Relevant work performed by KPMG during its annual audit of the Company was reviewed during the examination and incorporated into the examination work papers.

In addition, the following items were reviewed during the course of this examination:

1. Company history;
2. fidelity bonds and other insurance;
3. officers’, employees’, and agents’ welfare and pension plans;
4. growth of Company;
5. loss experience;
6. pending litigation; and
7. Articles of Incorporation and Bylaws.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date.

<u>Name</u>	<u>Principal Occupation</u>
Wesley Kim Austen	President and Chief Operating Officer – Allied Group
Mark A. Bervan	Senior Vice-President – Product & Pricing Management
Lawrence A. Hilsheimer	President and Chief Operating Officer – Nationwide Direct & Customer Solutions
Mark A. Pizzi	President and Chief Operating Officer – Nationwide Insurance
Mark R. Thresher	Executive Vice-President - Chief Financial Officer

Officers

As of the examination date, the following officers were elected and serving in accordance with the Company's Bylaws:

<u>Name</u>	<u>Title</u>
Mark A. Pizzi	President
David P. LaPaul	Senior Vice-President and Treasurer
Robert W. Horner, III	Vice-President and Secretary

Insurance Holding Company System

The Company is a member of a holding company system as defined in Section 3901.32 of the ORC. NMIC and Nationwide Mutual Fire Insurance Company are the ultimate controlling parties of the insurance holding company system.

Territory and Plan of Operations

The Company is licensed to transact business in the District of Columbia and the following states:

Alabama	Alaska	Arizona	Arkansas	California
Colorado	Connecticut	Delaware	Florida	Georgia
Idaho	Illinois	Indiana	Iowa	Kansas
Kentucky	Maine	Maryland	Massachusetts	Michigan
Minnesota	Mississippi	Missouri	Montana	Nebraska
Nevada	New Hampshire	New Mexico	New York	North Carolina
North Dakota	Ohio	Oklahoma	Oregon	Pennsylvania
Rhode Island	South Carolina	South Dakota	Tennessee	Texas
Utah	Vermont	Virginia	Washington	West Virginia
Wisconsin				

The following schedule illustrates the Company's direct written premium in 2011 by line of business:

Homeowners multiple peril	\$ 734,490,336
Private passenger auto liability	259,898,329
Auto physical damage	209,883,394
Commercial multiple peril	138,288,494
Commercial auto liability	28,759,670
Workers' compensation	18,865,909
Inland marine	17,852,124
Other liability – occurrence	9,475,354
Earthquake	6,299,454
Boiler and machinery	4,862,000
All other lines	<u>5,491,502</u>
Totals	<u>\$ 1,434,166,566</u>

Reinsurance

Effective January 1, 2011, the Company became a participant in an intercompany pooling agreement ("the Pool") where 100% of the premiums are ceded to the Pool and the Company has a 0% pooling percentage. NMIC is the lead company and the pool administrator.

The examination noted that the Company has policies and procedures in place to comply with SSAP 62 and 63.

Financial Statements

The financial condition and the results of its operations for the five year period under examination as reported and filed by the Company with the Department and audited by the Company's external auditors, are reflected in the following:

Statement of Assets, Liabilities, Capital and Surplus
Statement of Income
Statement of Changes in the Capital and Surplus Account

**Statement of Assets
December 31, 2011**

Admitted assets

Bonds	\$ 10,613,330
Cash	42,423,732
Other invested assets	<u>2,467,606</u>
Total cash and invested assets	55,504,668
Investment income due and accrued	130,877
Uncollected premiums and agents' balances in the course of collection	42,107,298
Deferred premiums, agents' balances and installments booked but deferred and not yet due	239,235,980
Amounts recoverable for reinsurers	79,469,333
Funds held by or deposited with reinsured companies	472
Other amounts receivable under reinsurance contracts	23,463,778
Net deferred tax asset	174,196
Receivables from parent, subsidiaries and affiliates	5,464,334
Aggregate write-ins for other than invested assets	
Miscellaneous assets	3,329,112
Equities and deposits in pools and associations	<u>945</u>
Total admitted assets	<u>\$ 448,880,993</u>

**Statement of Liabilities, Capital and Surplus
December 31, 2011**

Liabilities

Current federal and foreign income taxes	\$ 760,283
Ceded reinsurance premiums payable	122,424,667
Payable to parent, subsidiaries and affiliates	265,064,012
Aggregate write-ins for liabilities	
Escrow liability	1,796,157
Miscellaneous liabilities	4,911,751
State surcharge/recoupment payable	<u>507,605</u>
Total liabilities	395,464,475

Capital and Surplus

Common capital stock	3,000,000
Gross paid in and contributed surplus	24,000,000
Unassigned funds	<u>26,416,518</u>
Surplus as regards policyholders	<u>53,416,518</u>
Total liabilities, capital and surplus	<u>\$ 448,880,993</u>

Statement of Income
As of December 31, 2011

Net investment income earned	\$ 913,311
Net realized capital gains	<u>985,893</u>
Net investment gain	<u>1,899,204</u>
Aggregate write-ins for miscellaneous income	
Miscellaneous expenses	<u>(25,467)</u>
Total other income	<u>(25,467)</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	1,873,737
Federal and foreign income taxes incurred	<u>308,284</u>
Net income	<u>\$ 1,565,453</u>

Statement of Changes in the Capital and Surplus Account
(In thousands)

<u>Capital and Surplus</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Capital & surplus, prior year end	<u>\$ 51,529</u>	<u>\$ 38,886</u>	<u>\$ 38,674</u>	<u>\$ 28,456</u>	<u>\$ 27,517</u>
Net income	1,566	862	154	1,217	907
Change in net unrealized capital gains or (losses) less capital gains tax	10	38	(37)	-	-
Change in net deferred income tax	12	(50)	600	12	38
Change in non-admitted assets	(5)	98	(506)	(10)	(6)
Change in provision for reinsurance	305	(305)	1	(1)	-
Surplus adjustments – Paid in	-	<u>12,000</u>	-	<u>9,000</u>	-
Net change in capital and surplus	<u>1,887</u>	<u>12,643</u>	<u>212</u>	<u>10,218</u>	<u>939</u>
Capital and surplus, current year end	<u>\$ 53,417</u>	<u>\$ 51,529</u>	<u>\$ 38,886</u>	<u>\$ 38,674</u>	<u>\$ 28,456</u>

Notes to Financial Statements

Investments

The Company's investment portfolio consists primarily of investment grade bonds and is in compliance with Section 3925.08 of the ORC. The investments were valued in accordance with the relevant Statements of Statutory Accounting Principles and the NAIC Securities Valuation Office.

Subsequent Events

There are no material subsequent events.

Conclusion

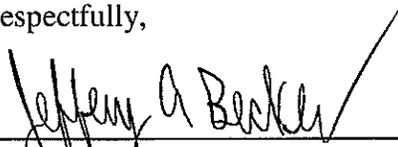
The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2011, and is summarized as follows:

Total Admitted Assets	<u>\$ 448,880,993</u>
Liabilities	395,464,475
Surplus as Regards Policyholders	<u>53,416,518</u>
Total Liabilities and Surplus as Regards Policyholders	<u>\$ 448,880,993</u>

Acknowledgement

In addition to the undersigned, the following representatives of the Department participated in this examination: Methuselah Nyangoro, CFE, CPA; Kim Somogyi, CPA; Edward Nagorny, CFE, CPA; Bryan Radecky, CPA; Patricia Severs, CPA; Mark Boston, CPA; Rick Rhoades, CPA (inactive); William Harrington, CFE, CPA (inactive); Thomas Botsko, ACAS, MAAA; Bradley Schroer; Vicky Hugo, AES, CISA, CPA and Roy Moster, AES, CISA, CPA.

Respectfully,



Jeffrey A. Becker, CFE
Examiner-In-Charge
Office of Risk Assessment
Ohio Department of Insurance



David A. Cook, CFE
Assistant Chief Examiner
Office of Risk Assessment
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the ORC, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2011.

Jeffery A. Becker 3/7/2013 [Signature] 3/7/2013
Examiner-In-Charge Date Assistant Chief Examiner Date

State of Ohio
County of Franklin

Personally appeared before me the above named, Jeffery A. Becker, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 7 day of March, 2013.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
~~MY COMMISSION EXPIRES MAY 22, 2017~~
My Commission Expires

State of Ohio
County of Franklin

Personally appeared before me the above named, David A. Cook, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 7 day of March, 2013.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
~~MY COMMISSION EXPIRES MAY 22, 2017~~
My Commission Expires