

ACTUARIAL REPORT

RACE-BASED PRICING ACTIVITIES WITH RESPECT  
TO THE LIFE INSURANCE BUSINESS OF  
NATIONWIDE LIFE INSURANCE COMPANY

July 6, 2004

Prepared by:  
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July 6, 2004

Mr. Daniel Atkisson  
Ohio Department of Insurance  
Market Conduct Division  
M2100 Stella Court  
Columbus, OH 43215-1067

Re: Nationwide Life Insurance Company Race Based Pricing Multi-State  
Examination Draft Report

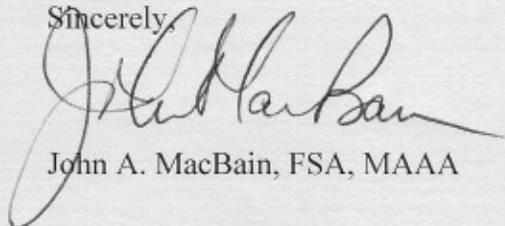
Dear Mr. Atkisson:

Enclosed you will find the Final report (the "report") of our review and examination, performed on behalf of the Ohio Department of Insurance (the "ODI"), of the race based pricing and underwriting practices with respect to the business of Nationwide Life Insurance Company. The report is intended solely for the purpose for which it was commissioned and should not be used for any other purpose. The report should be reviewed and/or distributed in its entirety only.

The report is prepared in accordance with the Guidelines for Prescribed Statements of Actuarial Opinion as promulgated by the Actuarial Standards Board. I am a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries and meet the qualifications for making such Statements of Actuarial Opinion.

Once you have reviewed the report, we would be pleased to answer any questions you have on its contents.

Sincerely,



John A. MacBain, FSA, MAAA

## Introduction

### *Nature of Project*

The Ohio Department of Insurance (ODI) has requested Actuarial Resources Corporation of Georgia (ARC or “the examiners”) to perform a special multi-state market conduct examination of the premium structures applicable to and the underwriting procedures utilized with respect to the life insurance business of Nationwide Life Insurance Company (NLIC or “the Company”). Such business includes any life insurance business acquired from another company (“reinsured business”) as part of an assumption reinsurance agreement or as part of the acquisition of the company itself. The purpose of this special market conduct target exam is to determine whether, and to what extent, the premium structures or underwriting practices applicable to the life insurance business in question reflect, in fact or in effect, differentials based on the race of the insured. This exam has been performed in accordance with any guidelines and principles established for such exams by the National Association of Insurance Commissioners (NAIC) Race-Based Premium Working Group. Pursuant to these guidelines and principles, the exam conducted was a multi-state target exam conducted on behalf of all states, but with particular coordination between the ODI and NLIC’s top five policy count states in 2000.

The request from the ODI to perform a special target examination in this area was made pursuant to concerns raised by the NAIC that premium differentials in life insurance rates based on the race of the insured existed and/or continue to exist in the marketplace. These concerns are mainly with regard to blocks of business which were issued many years in the past, but also involve a desire to determine whether the practice of varying life insurance premiums by race

continues to the present. Pursuant to the NAIC's concerns, in 2000 the ODI initiated a questionnaire directed to all domestic companies to determine which, if any, of these companies were or are involved in the pricing or underwriting of life insurance on a racially distinct basis. A similar questionnaire had been propounded by several state insurance departments in 1988. The examiners were unable to determine whether NLIC responded to the 1988 survey or whether in fact the Company had even received a copy of the survey. Based on the Company's response to the ODI questionnaire promulgated in 2000, as it applied to NLIC's life insurance business, the special market conduct examination which is the subject of this report was commissioned.

### *Company History*

In October 1935, Farm Bureau Mutual Auto Insurance Company acquired the Life Insurance Company of America (LICA), which, through a predecessor company, American Insurance Union, Inc. (AIU), had been licensed to sell life insurance in Ohio in 1929. Farm Bureau Mutual Auto renamed the acquired company Cooperative Life Insurance Company (CLIC), and it began marketing life insurance in 1936 under Farm Bureau's direction. Cooperative Life Insurance Company subsequently changed its name to Farm Bureau Life Insurance Company (FBLIC) in 1939. From 1936 through 1947, Cooperative Life Insurance Company and then Farm Bureau Life Insurance Company were structured to sell life insurance to members of state farm bureaus through the overlapping boards and management of the Farm Bureau Mutual Insurance Companies and the Ohio Farm Bureau Federation. In 1947, the ODI directed the Farm Bureau Mutual Insurance Companies to separate their operations and legal structure from those of the Ohio Farm Bureau Federation. In 1955, Farm Bureau Life Insurance Company changed its name to Nationwide Life Insurance Company.

## Overview and Scope of Examination

In June of 2000, NLIC responded to the 2000 ODI questionnaire referenced above. This response is included as Attachment 1.1. As part of that response, NLIC included documentation of an extensive review performed by the Company of its historical underwriting and pricing practices to identify whether any race-based pricing or underwriting practices occurred during the Company's history. The description of the activities performed by NLIC is included as Attachment 1.2.

As part of its examination, the examiners first requested and reviewed the Company's (including companies whose business had been acquired or reinsured by NLIC) rate books and other rate documentation information. NLIC had expended much time and effort in developing information as part of its response to the 2000 ODI questionnaire. The examiners undertook to review and extend the sampling activities performed by the Company as part of their internal review. The examiners then conducted an independent review of the Company's archived files, segmented the Company's historical period of operation chronologically, and performed additional sampling in an effort to confirm tentative conclusions reached as a result of their analysis.

## Reliances

As indicated previously in this report, this examination covers the pricing activities of NLIC (and its reinsured business) as they relate to life insurance. The term *life insurance* is not restrictive

and refers to life insurance sold by the companies under labels such as *industrial life insurance*, *monthly debit ordinary (MDO) insurance*, *burial insurance*, *vault insurance*, *monument insurance*, *merchandise insurance*, *monthly intermediate ordinary (MIO) insurance*, *monthly account ordinary (MAO) insurance*, *home service insurance*, and *ordinary insurance*. The types of insurance covered are also not restricted to the marketing methodology employed or to the particular type of insurance sales license under which the product is or was marketed.

In preparing this report, we have relied on the accuracy and completeness of the information requested, as provided by NLIC personnel. An affidavit, signed by an officer of NLIC, attesting to the relevance and completeness of the information provided by the Company to the examiners is included as Attachment 2. The information provided included but was not limited to, the following:

1. Rate book information on the life insurance of NLIC and its reinsured business.
2. Other rate documentation information as historically assembled by NLIC, including rate documentation for its business acquired through reinsurance.
3. Policy file information for the policies chosen by the Company and examiners for sampling purposes.
4. Premium rate methodology documentation.

5. Various extracts provided on electronic media of NLIC's administrative databases.
6. Various policy forms, including applications used by the Company.
7. Internal company memos and documents retrieved by the examiners from archived files.
8. Underwriting practices and procedures documentation retrieved by the examiners from archived files.
9. Agents' training materials retrieved by the examiners from archived files.

### Limitations

In certain situations, limitations of one type or another precluded the examiners from reaching a 100% accurate conclusion regarding the race-based pricing activities of NLIC or of the companies that had been acquired, with respect to its life insurance business.

Among these limitations were:

1. The passage of a substantial number of years between the present and the period when NLIC (or its predecessors in interest or companies whose business it had acquired) had, or allegedly had, priced or underwritten life insurance products on a racially distinct basis. Personnel have changed and files are not readily available.

These older historical files also contain significantly less information as compared to that available regarding presently issued insureds.

2. The fact that NLIC had, over the years, acquired a number of companies, either through an assumption reinsurance arrangement or through acquisition of an entire company. No rate book information was obtained in respect of the business acquired in this fashion. In addition, no pricing information was available to provide insight into the mortality assumptions used, if any, in determining premiums. As can be seen from Attachment 3, many companies acquired in this fashion were later either sold or merged out of existence into NLIC with no prior company code retained in the administrative system.
3. The fact that little information was available on the Company's practices and procedures for eliminating ratings on policies originally issued substandard. The mere fact that such ratings may have been eliminated at some point in time was problematical.
4. The fact that the Company issued only ordinary life insurance, where any adjustment to premiums for race would have been in the nature of a tabular rating. In many cases, any rating for race may have been in addition to ratings which would otherwise have been assessed for medical or occupational reasons. For example, an insured with medical impairments might have been rated Table C, and it may not have been

possible to determine whether this rating would have been Table B in the absence of that person being non-white.

### Details of the Examination

#### *Pre-1936 Issues*

The rate books available for review during this period of time were those of American Insurance Union, Inc. (AIU), a predecessor company of Life Insurance Company of America (LICA). LICA was later acquired by Farm Bureau Mutual Auto Insurance Company and ultimately became NLIC. AIU's rate books covering this period of time (dated 1931) indicated that "Applications may be written only on those persons who are of the white race" (see Attachment 4). Information obtained by the examiners indicated that applications for insurance used by both AIU and LICA during this period of time requested information on the race of the applicant. Pre-1946 sampling performed by the examiners, discussed in more detail later in this report, supported the aforementioned rate book directive although limited data for the pre-1936 issue era was available for sampling purposes. Five of the sampled policies drawn by the examiners with respect to pre-1946 issues were issued prior to 1936 and all five of these particular samples were of the white race.

#### *Issues of 1936 through May 1943*

This period begins at about the time Farm Bureau Mutual Auto Insurance Company acquired LICA and renamed the company Cooperative Life Insurance Company, NLIC's predecessor.

During this period of time, rate books beginning in 1936 for CLIC and later for FBLIC (CLIC's successor) through May 1943 contained the following language:

“The rates given are for Caucasian male risks. The race of the applicant will sometimes increase the rating. A very material extra mortality may be expected among low grade industrial or illiterate types, and the Company discourages the writing of this class of business.” (see Attachment 5 for an example of this language from a 1939 FBLIC rate book).

The rate books also indicate that premiums may be increased for certain occupations, including Butlers, Barbers, Valets, Cooks, Elevator Operators, and Waiters.

As part of its own internal investigation of possible historical race based pricing or underwriting activities and as a result of the information contained in the referenced rate books, NLIC undertook a review of every substandard life policy in force as of approximately June 30, 2000, that had been issued during the period 1936 through 1945. The sampling period extended about a year and a half beyond May 1943, the point in time race based references in the rate book were removed, to be conservative. NLIC's report indicated 232 such policies. The follow-up review of these files by the ODI examiners assisting the ARC examiners indicated 234 such policies. Information on race was obtained from these files by NLIC and indicated that there were no non-white insureds in this in force group. The follow-up review by the examiners confirmed that this was the case.

In addition to containing language indicating that race would sometimes increase the rating for an insured, rate books of FBLIC (successor to CLIC) between 1939 through 1942 also indicated that non-medical applications would not be taken in certain territories of the Company (see

Attachment 6). The examiners requested information from the Company on the criteria used in determining those territories where non-medical applications were not permitted, but sufficient documentation to reach any conclusions in this regard was not made available by the Company or discovered by the examiners in the course of their review of the archived files.

In an effort to obtain more statistically significant data with respect to substandard policies issued by NLIC prior to 1946, the examiners requested from the Company the earliest historical in force life insurance database that could be provided on electronic media. The earliest date for which Company personnel were able to provide such a database of in force policies was December 31, 1984. From this database, the examiners selected all pre-1946 substandard life policies in force at that time that were not part of the in force block of such policies as of approximately June 30, 2000 (sampled previously by NLIC). Pre-1946 policies were sampled to be consistent with NLIC's initial sampling which, as stated previously, sampled conservatively beyond May 1943. This additional group of substandard policies issued prior to 1946 amounted to 531 policies. Together with the previously selected substandard life policies, the review of these additional substandard policies ensured that all substandard life policies that were issued by the Company prior to 1946 and still in force on a substandard basis as of December 31, 1984, had been reviewed.

Company personnel could locate files on all but 3 of these 531 additional samples. The examiners review indicated that 3 of the remaining 528 samples had been issued to non-whites. One of these applicants was issued substandard Table A due to being "asthenic" (underweight/weak), although classified by the physician performing the physical as being a

“first class risk.” A second substandard insured was rated Table C due to “Type,” a rating reason for which no explanation was provided either on the underwriting worksheet or by Company personnel. The physician in this situation had indicated that the applicant “appears to be healthy.” A third substandard insured was rated Table A due to overweight “Build.” It should be noted that the examiners obtained information on the race of all 528 substandard applicants for which files could be located, since information on the race of the applicant was solicited and provided on the application during this period of time. See Attachment 7.1 for information on the racial distribution for this sample and Attachment 7.2 for a summary of the underwriting information determined for the 3 non-whites in this sample.

In an effort to determine whether the distribution of non-white applicants in the standard risk category differed substantially from that in the substandard risk group, the examiners randomly selected 100 pre-1946 standard issues from the December 31, 1984 in force file for further analysis as to the race of these applicants. Policy files could be located by Company personnel for 95 of the 100 sampled files, and information was obtained on the race of the applicant. In all 95 cases, the race of the applicant was white.

The examiners concluded that the relatively small proportion of non-white insureds in both the standard and substandard rate classifications for policies issued during this period of time indicated that the Company did not target non-whites as part of their marketing efforts. Rate books of this era did not specifically exclude non-white applicants, although they did indicate that race would sometimes increase the rating.

### *Post-May 1943 Issues*

Although information on the race of the applicant continued to be requested on applications of the Company until approximately 1966, all references to race as part of the underwriting process appear to have been deleted from the rate books as of May 1943 (see Attachment 8). The language regarding the non-availability of non-medical applications in certain territories continued to appear in rate books until 1964, when that language was deleted. See Attachment 9 from the 1964 rate book.

As part of their response to the 2000 ODI race-based pricing survey, the Company drew a sample of 10% of all substandard policies issued between 1946 and 1975 still in force as of approximately June 30, 2000 to confirm that race was indeed not considered as part of the underwriting process. This sampling era began in 1946, instead of May 1943, since NLIC's initial sampling effort already included issues through 1945 as discussed earlier in this report. The sample reviewed totaled 371 policies. By this time, the reference to race sometimes being used to increase the rating had been removed from all rate books and underwriting material. The question soliciting information on the race of the applicant was removed from the application around the mid-1960's (the examiners could not determine the exact date this question was removed from the application).

Of the 371 policies constituting the 10% sample of substandard policies issued during this period of time and still in force as of approximately June 30, 2000, the Company found 11 non-white applicants. The race of the applicant was determined either from the application or from

information on reports solicited by the Company as part of the underwriting process (e.g. Credit Report). All 11 non-white substandard insureds in the sample had an appropriate physical impairment or occupational rationale for the rating. Attachment 10 provides a detailed summary of certain basic policy and underwriting information in respect of the 11 non-white substandard insureds. The examiners performed a follow-up review on the 371 sample files drawn by the Company and substantiated the results of the Company's analysis by reviewing the applications and available underwriting information for 136 of the remaining 360 samples, where the race determined was either white or unknown. The results of this analysis confirmed that rating reasons for white substandard insureds appeared to be similar to those for non-white substandard insureds (see Attachment 11.1) based upon review of the underwriting information provided by NLIC. In addition, comparable ratings were applied to whites and non-whites when the rating reasons were similar (see Attachment 11.2).

The examiners also considered drawing, but did not pursue doing so, samples of policies issued on a standard basis between 1946 and 1975. The time, effort, and additional cost involved in the process of obtaining a valid sample of non-white insureds would have been substantial, given the lack of information on race contained in the Company's electronic data base. In addition, in the examiners' opinion, the results of any additional sampling in this area would not have materially affected the conclusions reached regarding race based pricing activities for policies issued in the post-May 1943 era.

## Conclusions

As stated previously, the purpose of this special multi-state target examination is to make a determination of whether, and to what extent, the premium structures of and/or the underwriting practices with respect to the business of NLIC or its predecessor companies (and of the companies whose business was acquired or assumed by NLIC or its predecessor companies) reflect, in fact or in effect, differentials based on the race of the insured. This section of the report documents the conclusions the examiners have reached in this regard. The findings of this examination are as follows:

1. During the period prior to 1936, AIU and LICA specifically declined to insure non-white applicants, including African-Americans.
2. Information contained in rate books between 1936 and May 1943 suggests that CLIC and FBLIC, although not specifically declining to insure non-white applicants, used race as an underwriting factor during this era.
3. After May 1943, although information on the race of the applicant was solicited on the application form (until the mid 1960s) and a sex/race code was utilized in the underwriting worksheet, it does not appear that non-white insureds were assigned a rating or had their rating increased by the Company based on their race. The examiners consistently found that other valid factors were the reason for the rating assigned, a procedure similar to that used for white applicants.

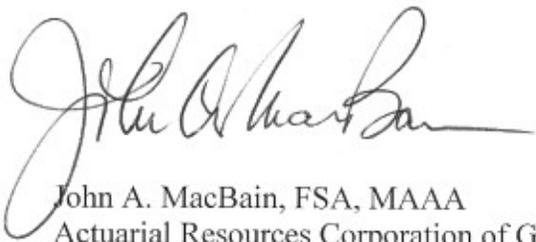
Company Response to Draft Report

NLIC's official response to the draft report, dated April 14, 2004 is included as Attachment 12.

No changes were made in this final report as a result of this response.

The procedures used in the performance of this multi-state target exam are in accordance with the guidelines for such exams established by the NAIC and any of its Committees or Working Groups in this regard.

Respectfully submitted,



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Attachment 1.1

2000 ODI Survey Response

OHIO DEPARTMENT OF INSURANCE  
QUESTIONNAIRE REGARDING RACE-BASED PRICING OF LIFE INSURANCE

Name of Insurance Company: Nationwide Life Insurance Company/  
Nationwide Life and Annuity Insurance Company.  
Printed Name of Person providing Information: Phillip Gath  
Title: Senior Vice President, Chief Actuary  
Direct Telephone Number: (614) 249-6748 Fax Number: (614) 249-5822  
Email address: Gathp@Nationwide.com

For purposes of this questionnaire the term race based underwriting/pricing shall include, but not be limited to, one or more of the following practices based on an applicant's or insured's race or color:

- limiting the amount, extent, or kind of coverage available
- charging or collecting higher premiums or rates
- assigning of risk classifications
- crediting of or providing lower dividends, policy benefits, or nonforfeiture values
- making any distinction as to policy terms or conditions
- imposing of different underwriting requirements (categorized by medical requirements vs. non-medical requirements)

DIRECT BUSINESS

1. Has your company ever marketed or issued life insurance policies using race-based underwriting/pricing? If NO proceed to Question 7.

YES  NO  Nationwide has not identified any life insurance policies that were marketed or issued using race-based underwriting/pricing. See Attachment.

2. Is your company currently marketing or issuing life insurance policies using race-based underwriting/pricing?

YES  NO  See Attachment.

Note: Please provide a narrative description fully detailing the review process used in answering this questionnaire. This process should include a review and examination of all relevant documents, including, but not limited to, rate charts, mortality tables, plan codes, agent and broker contracts, compensation and commission schedules, underwriting manuals, agent manuals, policy applications, policy forms, board of directors (and committee) minutes, and internal memoranda.

3. If your answer to Question No. 1 was "Yes" but your answer to Question No. 2 was "No" please state when your company ceased using race-based underwriting/pricing practices.

See Attachment.

4. Does your company still have in force, as of the date of this questionnaire, any life insurance policies that were issued using race-based underwriting/pricing practices?

YES \_\_\_\_\_ NO \_\_\_\_\_

Nationwide has not identified any in-force life insurance policies that were issued using race-based underwriting/pricing practices. See Attachment.

5. If the answer to Question 4 was "Yes" please provide the following information on policies issued by your company.

STATE	a. number of policies in force	b. total annual premium	c. total face amount	d. total current cash value	e. policy form # and date of approval
Alabama					
Alaska					
Arizona					
Arkansas					
California					
Colorado					
Connecticut					
Delaware					
DC					
Florida					
Georgia					
Hawaii					
Idaho					
Illinois					
Indiana					
Iowa					
Kansas					
Kentucky					
Louisiana					
Maine					
Maryland					
Massachusetts					
Michigan					
Minnesota					
Mississippi					
Missouri					
Montana					
Nebraska					
Nevada					

New Hampshire					
New Jersey					
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					
Wyoming					

6. If you answered "Yes" to any of the above questions please describe any steps your company has taken to remedy and/or make restitution to policyholders affected by the race-based underwriting/pricing practices, including the following information:

- what specific actions were taken
- the number of policies on which and the years in which actions were taken
- the pricing mortality tables, rate tables, or dividend scales used
- adjustments made to nonforfeiture values or other policy benefits
- the status (inforce vs. terminated) of the affected blocks of business at the time the action(s) were taken

**ASSUMED BUSINESS**

7. Has your company assumed from another insurer any life insurance policies that were marketed or issued using race-based underwriting/pricing practices?

YES \_\_\_\_\_ NO \_\_\_\_\_

8. Does your company still have in-force, as of the date of this questionnaire, any assumed life insurance policies that were marketed or issued using race-based underwriting/pricing practices?

YES \_\_\_\_\_ NO \_\_\_\_\_

Note: Please provide a narrative description fully detailing the review process used in answering this questionnaire. This process should include a review and examination of all relevant documents, including, but not limited to, rate charts, mortality tables, plan codes, agent and broker contracts, compensation and commission schedules, underwriting manuals, agent manuals, policy applications, policy forms, board of directors (and committee) minutes, and internal memoranda.

9. If the answer to Question 7 was "Yes" please provide the following information on policies assumed by your company.

STATE	a. number of policies in force	b. total annual premium	c. total face amount	d. total current cash value	e. policy form # and date of submission
Alabama					
Alaska					
Arizona					
Arkansas					
California					
Colorado					
Connecticut					
Delaware					
DC					
Florida					
Georgia					
Hawaii					
Idaho					
Illinois					
Indiana					
Iowa					
Kansas					

Kentucky					
Louisiana					
Maine					
Maryland					
Massachusetts					
Michigan					
Minnesota					
Mississippi					
Missouri					
Montana					
Nebraska					
Nevada					
New Hampshire					
New Jersey					
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					
Wyoming					

10. If you answered "Yes" to any of the above Questions 7 through 9 please describe any steps your company has taken to remedy and/or make restitution to policyholders affected by the race-based underwriting/pricing practices, including the following information:

- what specific actions were taken
- the number of policies on which and the years in which actions were taken
- the pricing mortality tables, rate tables, or dividend scales used
- adjustments made to nonforfeiture values or other policy benefits
- the status (inforce vs. terminated) of the affected blocks of business at the time the action(s) were taken

YOUR RESPONSE TO THIS QUESTIONNAIRE IS REQUIRED ON OR BEFORE SEPTEMBER 15, 2000.

The Department requires that you acknowledge receipt of this questionnaire regardless of whether or not your company has withdrawn from the life insurance market. Please direct all responses to Brenda Artrip in the Market Conduct Division, at 614-719-1603 (voice), 614-644-3327 (fax) or [Brenda.Artrip@ins.state.oh.us](mailto:Brenda.Artrip@ins.state.oh.us) (e-mail). Once this questionnaire is completed you may either mail it to the address on the bottom of the first page or return it via facsimile to: 614-644-3327.

Attachment 1.2

Attachment to NLIC's 2000 ODI

Survey Response

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ATTACHMENT TO RESPONSE SUBMITTED BY NATIONWIDE LIFE INSURANCE  
COMPANY AND NATIONWIDE LIFE AND ANNUITY INSURANCE COMPANY TO  
THE OHIO DEPARTMENT OF INSURANCE  
SURVEY OF RACE-BASED PRICING OF LIFE INSURANCE

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Summary

Nationwide Life Insurance Company and Nationwide Life and Annuity Insurance Company ("Nationwide") submit this response as part of, and incorporate it into, their answers to the Questionnaire from the Ohio Department of Insurance dated August 18, 2000 seeking information about sales of individual life insurance policies. Nationwide's response to the Questionnaire and this Attachment is based on the review described below.<sup>1/</sup>

Nationwide has conducted an extensive review to discover the information you requested. Nationwide's review included a diligent search for documents that it believed were reasonably likely to contain responsive information. Nationwide's review also included inquiries of employees whom it identified based on the information available. Nationwide believes that it has made every reasonable effort to comply with your requests within the time limits imposed. Nationwide reserves the right to supplement its responses if it discovers additional information in the future.

In summary, Nationwide's review has shown that Nationwide does not currently market or issue life insurance policies using race-based underwriting or pricing. As elaborated below, Nationwide also did not find any life insurance policies, including policies still in force, that were marketed or issued using race-based underwriting or pricing.

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<sup>1/</sup> Nationwide confined its review to traditional life insurance products and did not review universal or variable life policies, two products introduced in the mid-1980s.

### **Historical Background**

In October 1935, Farm Bureau Mutual Auto Insurance Company acquired the Life Insurance Company of America, which, through a predecessor, had been licensed to sell life insurance in Ohio in 1929. Farm Bureau Mutual Auto renamed the acquired company Cooperative Life Insurance Company, and it began marketing life insurance in 1936 under Farm Bureau's direction. Cooperative Life subsequently changed its name to Farm Bureau Life Insurance Company. From 1936 through 1947, Cooperative Life Insurance Company and then Farm Bureau Life Insurance Company were structured to sell life insurance to members of state farm bureaus through the overlapping boards and management of the Farm Bureau Mutual Insurance Companies and the Ohio Farm Bureau Federation. In 1947, the Ohio Department of Insurance directed the Farm Bureau Mutual Insurance Companies to separate their operations and legal structure from those of the Federation. In 1955, Farm Bureau Life Insurance Company changed its name to Nationwide Life Insurance Company.

### **Description of Review Process**

In June 2000, as a result of news reports identifying race-based practices used by other companies in issuing life insurance policies, Nationwide began to review its prior practices. Nationwide undertook this review on its own initiative, before receiving inquiries from any state insurance departments. Nationwide has updated Ohio's Department of Insurance of the progress of its review, as set forth in letters dated September 15 and September 27.

Nationwide has spent over 1500 hours in its review process. Nationwide devoted extensive resources to its review, including time spent by over 30 people, some of whom worked full-time, including nights and weekends, to complete this review as promptly as possible. In the course of that review, Nationwide took specific steps, which included the following:

- Nationwide reviewed 186 archived boxes and other files of historical documents. It identified archived documents for review by searching over ten boxes of inventory records and additional computerized records. Nationwide's search of historical documents included, but was not limited to, the following types of documents: rate charts, mortality tables, plan codes, agent files, compensation schedules, agent manuals, rate manuals, policy applications, policy forms, correspondence and internal memoranda, board minutes and supporting documents, and regulatory filings.

- Nationwide interviewed employees regarding historical and current marketing and issuance of life insurance, including employees in the actuarial, underwriting, and operational areas.

- As explained below, Nationwide identified rate manuals containing race-based references from 1931 through no later than 1944. Nationwide accordingly manually reviewed the policy files for every existing active "rated" policy issued before 1946. Policies are "rated" in cases where, because the risk is not a standard one, a non-standard premium is charged. Nationwide's review included 232 policy files (all the active rated policies issued before 1946), each approximately 30 pages in length, and all of which are on microfiche. This review disclosed that none of these policies was rated because of race.

- Nationwide also conducted a sampling of active rated policy files sold from 1946 through 1975 to determine whether policies held were rated because of race, even after the rate manuals no longer contained race references. Nationwide used a sampling process because of the large volume of the microfiche files (approximately 110,000 pages). As described below, Nationwide found no evidence that any of these policies had been rated because of race: rather, all policyholders were rated for comparable reasons such as medical conditions. In its survey,

Nationwide reviewed ten percent of the active rated policies from this period, which totaled 371 policy files, each approximately 30 pages in length and on microfiche. Nationwide selected every tenth policy file for review.<sup>2/</sup> Through its review, Nationwide determined that, by 1966, the forms no longer requested the race of most applicants.<sup>3/</sup>

**Survey Questions 1-6:** As elaborated below, Nationwide has not discovered any life insurance policies that were marketed or issued using race-based underwriting or pricing. Nationwide does not currently market or issue life insurance policies using race-based underwriting or pricing. Nationwide has not identified any life insurance policies still in force that were issued using race-based underwriting or pricing practices.

As noted above, through its review, Nationwide found old rate manuals dated between 1931 and no later than 1944 that contain references to race in connection with individual life insurance. One rate manual, a 1931 manual from AIU, a predecessor of Life Insurance Company of America (LICA), states that applications may be written only for white persons. Nationwide did not acquire LICA until October 1935, four years after the offensive 1931 AIU rate manual, and Cooperative Life (Nationwide's predecessor) did not use the 1931 AIU manual after acquiring LICA. Rate manuals dated from 1936 through no later than 1944 give rates for male Caucasians, state that the race of the applicant sometimes will increase the rate, and/or refer to increased premiums for certain occupations, including "Butlers, Barbers, Valets, Cooks, Elevator Operators, [and] Waiters, etc." This language does not appear in the 1945 manual; nor does it reappear in any subsequent rate manuals that Nationwide found in its extensive review.

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<sup>2/</sup> The current version of the NAIC Handbook recommends a 1% market conduct sample where the universe is 5,000 policies or less. Nationwide reviewed ten times the recommended sample.

<sup>3/</sup> The survey showed that Nationwide occasionally received credit reports as part of the application process and that, through 1968, those credit reports continued to identify the race of applicants. This identification of race was not solicited by Nationwide. Of the 371 files reviewed, Nationwide also found five residual forms that asked for race from 1969 through 1970, but none thereafter.

Because of the references in the rate manuals to race, Nationwide surveyed its active individual life insurance policies as described above and determined the following: Based on its review of every existing active rated policy issued before 1946, Nationwide found that none of those policies was rated because of race.

Nationwide then undertook a survey of ten percent of the active rated policies issued between 1946 and 1970, as described above, and again found no evidence of rating based on the policyholder's race. The descriptions given for the rated non-white policyholders mirror descriptions given for the rated white policyholders.<sup>4/</sup> Almost all the non-white policyholders with rated policies were rated because of medical conditions, such as high blood pressure, miscarriage, and weight. Those same types of medical reasons appeared as reasons for white policyholders. During this period, it appears that some underwriters may on occasion have sought medical information from African American applicants concerning potential hypertension conditions. All applicants with hypertension were rated similarly. A few non-whites were also rated because of risk associated with their occupations, which was also true for certain white policyholders with similar occupations. Accordingly, based on its review, Nationwide found no evidence that non-whites were being charged higher premiums because of their race.

**Survey Questions 7-10:** Nationwide has not discovered any assumed life insurance policies that were marketed or issued using race-based underwriting or pricing. Nationwide has not identified any assumed life insurance policies still in force that were marketed or issued using race-based underwriting/pricing practices. There were companies with life insurance

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<sup>4/</sup> Through this survey, Nationwide determined that by sometime in 1966, its forms no longer requested identification of race from most applicants. Accordingly, race is not available for most policies issued after 1966. Because Nationwide found two forms in 1969 and 1970 that requested identification of race, it extended its survey to 1975, and reviewed an additional 120 microfiche policy files from 1971 through 1975. That review found that Nationwide did not request identification of race in that period. Nor did it find any evidence that non-white policyholders were being charged higher rates because of race during that period.

business that were acquired by Nationwide and which have been merged into Nationwide Life Insurance Company. Other companies acquired by Nationwide with life business have been sold to outside entities. These companies were maintained as separate entities and were not incorporated into Nationwide's systems or processes while part of Nationwide's holding company system. In its review, Nationwide searched for documents from assumed companies to the extent documents are still in Nationwide's possession. None of the documents found evidenced life insurance policies marketed or issued using underwriting or pricing based on race.

Nationwide also examined whether it issued life policies of the type referred to in the industry as "industrial" or "burial" life policies. Nationwide has no active policies of this type. Nationwide has not historically sold industrial policies. Nationwide found in its review that, for three years in the early 1940s, Farm Bureau Life Insurance Company maintained an interest in Eureka-Maryland Assurance Corporation, a company that had sold such policies. Eureka-Maryland's active industrial policies were sold to another insurer, All States Life Insurance Company, in March 1945; Eureka-Maryland was dissolved in November 1946; and claims on out-of-force policies were subsequently paid.

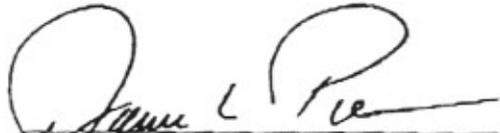
Attachment 2

NLIC Affidavit

**AFFIDAVIT**

I, hereby, attest to the fact that Nationwide Life Insurance Company and Nationwide Life and Annuity Insurance Company (hereinafter "Nationwide"), to the best of my knowledge and belief, in reliance upon the information provided by various underwriting, actuarial, rating, pricing, administrative and other operational (current and retired) personnel and employees, have provided all known available documents and electronic media files requested by the Ohio Department of Insurance pursuant to the Notice of Examination letter dated June 6, 2002, or subsequent documents or electronic media files requested under the scope of such Notice. To the best of my knowledge and belief, the documents and electronic media files requested included all known and available ratebooks, underwriting guidelines and procedures, agents' manuals, policy data records, and any other responsive documents and files containing information regarding the manner in which Nationwide has marketed or underwritten its life insurance product portfolio as it may relate to the race of an applicant. These documents included, to the best of my knowledge and belief, all known available responsive documents attained through the acquisition of life companies and other acquired blocks of life insurance products that were retained by Nationwide. It is further represented, to the best of my knowledge and belief, that the documents located and identified, constitute the totality of the documents responsive to the Notice of

Examination letter dated June 6, 2002, or subsequent documents or electronic media files requested under the scope of such Notice, as they currently are available or exist and have not been materially altered in any way.

  
\_\_\_\_\_  
Jim Pierson  
Vice-President  
Office of Compliance

Nationwide Life Insurance Company  
Nationwide Life and Annuity Insurance Company

6/13/2003  
Date

## Attachment 3

### List of Acquired Companies

**LIST OF LIFE COMPANIES**

**Northern Life Insurance Company** – Purchased 1962 by Nationwide Corporation; sold to Equity Funding Corporation of America June 9, 1972.

**West Coast Life Insurance Company** – Purchased in 1964; became subsidiary of Nationwide Life Insurance Company on 1993; sold June, 1997.

**Michigan Life Insurance Company** – Subsidiary of Nationwide Corporation; formed in 1956; merged into West Coast Life in 1986.

**Gulf Atlantic Life Insurance Company** – Contributed to West Coast Life in 1984; 1990 liquidating distribution; 1991 shell was sold.

**Farmland Life Insurance Company** – Acquired in 1982; merged with West Coast Life effective June 30, 1995.

**Pacific Life Insurance Company** – Affiliated with Nationwide June, 1958; merged into Nationwide Life effective October 14, 1985.

**Employers Life Insurance Company of Wausau** – Incorporated 1965; merged into Nationwide Life Insurance Company.

**Wausau Underwriters Life Insurance Company** – Formed in 1981; filed as Life Company through 1991/1992; reinsured out in 1992.

**Wausau Life Insurance Company** – Incorporated April 19, 1976; name changed to Wausau Preferred Health Insurance Company effective August 31, 1992; merged into Employers Life Insurance of Wausau effective April 15, 1999.

**Nationwide Life and Annuity Insurance Company** – Incorporated February, 1981 – ACTIVE.

**Neckura Life Insurance Company** – Incorporated in Germany in 1973. Sold 2001.

Attachment 4

1931 Rate Book

American Insurance Union, Inc.

Similarly, a father paying the premiums on a son's policy would probably desire to be the owner and controller until the son assumes the premium payments.

A corporation carrying insurance on an officer or employe would be designated as owner and controller, although in this latter case, the relatives of the employe might be designated as death or contingent beneficiaries.

#### 17. CHANGE OF BENEFICIARY

The insured, provided he has reserved the right, may change the original or contingent beneficiary at will, or may designate an irrevocable beneficiary if he wishes to relinquish control of the policy. Blanks will be furnished by the Company on request. The change takes effect only upon the proper indorsement on the policy by the Company. The policy must be sent to the Home Office, with Application for Change of Beneficiary.

#### 18. INSURANCE ON WOMEN

Insurance will be granted to women on the same policy forms as men.

Women will be granted Income Disability and Waiver of Premium or Double Indemnity Benefits, in accordance with the rules and limitations as set forth under paragraphs 22, 23 and 24.

A policy on a wife with the husband named as the beneficiary will not be issued unless the husband is insured for her benefit for an equal or greater amount, or unless the husband is not insurable or is a dependent.

#### 19. SELECTION OF RISKS

Applications may be written only on those persons who are of the white race.

Never write an application where there is a suspicion of moral hazard involved, whether it is owing to financial embarrassment, domestic trouble, bad association, or lack of good moral character. If you know of any such applications being taken, advise the Company at once. An applicant who has been declined, postponed or rated is usually an undesirable risk. The Agent will be held responsible for the medical fee in all such cases examined without permission from the Home Office, if a policy on some form is not issued and paid for by the insured.

The Agent must insist on applicants giving complete information as to previous insurance including complete history of any rejections, postponements or ratings in case of adverse action by this or any other company at any time. Send a TRIAL APPLICATION in such cases on a form furnished by the Company and await instructions.

Applications should not be written on the lives of persons who are or have been addicted to the excessive use of intoxicants or narcotics, or who have been under treatment for same, unless a period of five years has elapsed.

Persons recently recovered from a severe illness should not be written until full particulars have been forwarded to the Home Office and authority for same given. (Use Trial Application.)

Two cases of consumption in one family usually prejudice a case.

No applicant will be considered favorably who lives or associates intimately with a person afflicted with consumption or who has been so associated within one year.

#### 20. CAUSES FOR REJECTION—PHYSICAL

In general, the following are grounds for rejection: Amputation for disease; asthma, if recent; blindness; chronic cough; cripples (as a rule); delirium tremens; chronic ear discharge;

Attachment 5

1939 Rate Book

Farm Bureau Life Insurance Company

## OCCUPATIONAL CLASSIFICATIONS

The following occupational list gives detailed information regarding the method of the Company in handling occupational hazards.

All occupations cannot be listed, and the fact that any particular occupation is not mentioned must not be taken to mean that in such cases there will be no extra charge, or that Waiver of Premium and Accidental Death (Double Indemnity) will be issued.

A trial application, giving full details, should be submitted in connection with any case about which the agent is in doubt as to the probable rating.

The rates given are for Caucasian male risks. The race of the applicant will sometimes increase the rating. A very material extra mortality may be expected among low grade industrial or illiterate types, and the Company discourages the writing of this class of business.

In a number of occupations classed standard, combination with a border line physical condition may warrant a rating. If the occupation is substandard, an increased rating may be necessary. This is especially true in cases where there is a required exposure to heat, humidity, fumes, changing temperatures, drafts, dust, or other hazards. Certain occupations, because of the light work, seem to attract many persons who are physically below normal. In this group may be included Butlers, Barbers, Valets, Cooks, Elevator Operators, Waiters, etc.

In submitting applications in cases where it is felt that an occupational hazard may exist, the agent can greatly facilitate the issuance of the business by stating definitely and completely all information he may have with reference to both past and present occupations of the applicant. The exact nature of the applicant's duties should always be given.

## Explanation of Symbols Used

"Std" indicates that the risk is acceptable at standard rates.

"Disc" denotes "Discretionary". In such cases definite rates cannot be quoted, since the final rating will depend upon the circumstances of the individual case.

"No" signifies "W. P." or "A. D." not issued.

"RNA" signifies "Risk Not Acceptable".

"†" signifies that Medical Examination is required in all cases.

In the following pages, the occupations which are classed as substandard express the ratings necessary

LINE CORPS

Act Pay Grade

Questionnaire  
tion.

March --

A. D.

No

1

1†

No

No

Yo

No

No

No

ive 6-1-46

Attachment 6

1939 Rate Book

Farm Bureau Life Insurance Company

applying in the same family at the same time, use one order form only, giving on it the full names of each child and answering all other questions.

#### 25. NON-MEDICAL AND MEDICAL APPLICATIONS

Unless your territory is one in which the non-medical is NOT permitted, applications submitted to the Company MUST BE made on the non-medical form (white), when eligible.

#### USE THE NON-MEDICAL APPLICATION IN THE FOLLOWING CASES:

1. Ages 0 to 40 years nearest birthday inclusive for males and single women who are not widows or divorcees.
2. Amounts up to and not exceeding a total of \$2,500 on the non-medical form in this Company. For example, a person applies for \$1,000 on the non-medical plan this year. He is eligible for a total of \$1,500 more. After a person has received \$2,500 of non-medical insurance in this Company, he must take a medical examination when he applies for additional Farm Bureau Life Insurance regardless of when the application is made.  
Total non-medical applications in this or other companies within one year must not exceed our limit of \$2,500. To illustrate, a person who applies for \$1,000 of non-medical insurance in another company within one year, is eligible for a maximum of \$1,500 in our Company in the same year. He may have non-medical insurance in other companies totalling as much as or more than our maximum, however, and we will consider his application for not to exceed a total of \$2,500, if his non-medical insurance in other companies was issued in years prior to that in which his application is made to our Company.
3. On all policies except any type of Term or Challenger policies.
4. On Distant Relatives of the Agent and Cooperative Employees (not life insurance Agents)
  - Brother-in-law or sister-in-law of the Agent
  - Mother-in-law or father-in-law of the Agent
  - Nieces and nephews of the Agent
  - Sons-in-law or daughters-in-law of the Agent
  - Grandchildren of the Agent

Fellow workers in cooperative stores and branches (not life insurance Agents)

#### USE THE MEDICAL APPLICATION AND EXAMINATION IN THE FOLLOWING CASES:

1. Amounts over \$2,500.
2. Age 41 and over.
3. Married women, Widows and Divorcees.
4. 5 and 10 Year Term, Term to Age 65, Annual Renewable Term and Challenger Policies.
5. Occupation—When a Table Rating (A, B, C, D) is required as shown in this Rate Manual. When a rating is expressed in money followed by a †, such as 5.00†, an examination is required.
6. Substandard—If for physical or family history impairments, known or suspected, the risk is doubtful or from other standpoints, such as habits, moral hazards, etc., a Trial Application should be submitted. See the section in this Manual under "Physical Impairments".
7. On the Agent—When the application is on the Agent's own life, or on the life of another when the Agent is the beneficiary, or when the Agent has more than the usual commission interest in the application.
8. On Close Relatives of the Agent as follows:
  - Wife of the Agent (all married women must be examined)
  - Children of the Agent
  - Brothers and Sisters of the Agent
  - Parents of the Agent
  - First cousins of the Agent
9. Agents of other life insurance companies writing ordinary business.

#### JUVENILE APPLICATIONS WITH PAYOR BENEFITS

1. Use the special Juvenile-Payor Non-Medical application when Payor's age and amount is within non-medical limits (see preceding rules).
2. Use the Juvenile blue application and blue medical when Payor or Child must be examined under the preceding medical application rules. Both Payor and Child are to be examined.

Attachment 7.1

Examiners' Pre-1946 Samples Summary

(Racial Distribution)

**NLIC  
 ODI Race Based Premium Exam  
 Examiners' Pre-1946 Samples Summary**

**Attachment 7.1**

Original Company Of Issue	Policy Samples					
	Non-White		White		Unknown	Total
	Number	% <sup>(1)</sup>	Number	% <sup>(1)</sup>	Number	Number
AIU	0	0.0%	3	100.0%	0	3
CLIC	0	0.0%	51	100.0%	0	51
FBLIC	3	0.6%	471	99.4%	0	474
Unknown (2)	0	---	0	---	3	3
<b>Total</b>	<b>3</b>	<b>0.6%</b>	<b>525</b>	<b>99.4%</b>	<b>3</b>	<b>531</b>

(1) Percentages based on policies where race was determined by the examiners.

(2) No policy files available.

## Attachment 7.2

### Examiners' Pre-1946 Samples Summary

(Underwriting information for non-white insureds only)

4LIC

DDI Race Based Premium Exam

Examiners' Pre-1946 Samples Summary (Non-white insureds only)

Policy Number	Issue Age	Plan Code	Face Amount	Issue Year	Application Provided?	Race On Application?	Race	Substandard Rating	Reason For Rating	Occupation	Original Company Of Issue
L000891140	38	100400	\$1,000.00	1941	Y	Y	African-American	Table A	Lightweight, asthenic	Seamstress	FBLIC
L001371400	41	100400	\$5,000.00	1945	Y	Y	African-American	Table C	"Type"	Housekeeper	FBLIC
L005170940	34	C00320	\$500.00	1945	Y	Y	African-American	Table A	Build-overweight	Housewife	FBLIC

Attachment 8

May 1943 Rate Book

Farm Bureau Life Insurance Company

#### OCCUPATIONAL CLASSIFICATIONS

The occupational ratings given on the following pages cover the more important occupations met with in canvassing. It is impossible to list all hazardous occupations which are subject to a rating and many occupations not listed here will be subject to a rating by the Home Office, depending upon the conditions and circumstances of individual cases. The common non-hazardous occupations not listed here will generally be eligible for standard insurance.

The principal industries and the common occupations are listed alphabetically. Where the occupation is more or less restricted to a specific industry, it will generally appear only under the industry title.

In a number of occupations classed standard, combination with a border line physical condition may warrant a rating. If the occupation is substandard, an increased rating may be necessary. This is especially true in cases where there is a required exposure to heat, humidity, fumes, changing temperatures, drafts, dust, or other hazards. Certain occupations, because of the light work, seem to attract many persons who are physically below normal. In this group may be included Butlers, Barbers, Valets, Cooks, Elevator Operators, Waiters, etc.

A very material extra mortality may be expected among low grade industrial or illiterate types, and the Company discourages the writing of this class of business.

The occupational ratings on the following pages show, in addition to the rating for life insurance, the eligibility of the applicant for Waives of Premium and Accidental Death and the ratings therefor.

#### IMPORTANT

Needless correspondence, loss of time, and even failure to place a policy will be avoided by strict compliance with the following suggestions as to describing an applicant's occupation. The agent should state the industry, the department, the particular process engaged in, the trade title of the occupation and the exact duties of the applicant. Especially when the name of the firm does not indicate the product manufactured, give full details.

#### Examples

Polisher — Industry: Glass manufacture.  
Department: Cut glass ware.  
Particular process: Putty polisher.

Foreman — Industry: Chemical.  
Department: Alkali manufacture.  
Particular process or duties: Supervising men engaged in the manufacture of alkali.

#### OCCUPATIONAL QUESTIONNAIRES

Submit with the application an Occupational Questionnaire for all applicants working in the Explosives and Mining Industries.

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Attachment 9

1964 Rate Book

Nationwide Life Insurance Company

### NON-MEDICAL INSURANCE

The non-medical application MUST be used for applicants eligible for non-medical insurance. Failure to use the non-medical application when required will result in the agent's being charged for the unnecessary expense incurred.

In any case written on a non-medical basis the Company reserves the right to require a medical examination. This should be made clear to each applicant for non-medical insurance at the time the application is written.

The amounts which follow are the maximums issued without a medical examination (in the aggregate or at one time) to any one life in this Company. A medical examination following a non-medical issue, which results in the issue of standard insurance in this Company, renews the non-medical maximum.

#### A. NON-MEDICAL AMOUNT LIMITS - MEN AND WOMEN

The amount limits which follow apply to the face amount entered on the application except for the plans, benefit riders or other limitations noted below.

Age Last Birthday	Amount
0* - 30	\$25,000
31 - 35	15,000
36 - 40	10,000

\*An attending physician's report, preferably from the child's pediatrician, covering the child's general health and physical history, is required if the child is under age 1 and the amount applied for is \$5001 or more.

##### 1. Juvenile Estate Builder.

Use Initial Face Amount. Maximum non-medical limit is \$5,000.

##### 2. Family Security Riders.

For non-medical amount limit purposes, when a Family Security Rider is applied for as a benefit to the basic policy, the total amount of insurance

applied for may be determined by the following formula:

Commuted value of one \$10 Monthly Income Unit  
x number of units applied for + face amount of  
basic policy = total amount of insurance ap-  
plied for.

For example, to determine the total amount applied for when a 30 year old proposed insured applies for a \$10,000 Whole Life policy with a 20 year Family Security Rider of \$50 per month (5 units), the following calculations are made:

Commuted value of one \$10 Monthly Income Unit, 20 year Family Security Rider	\$ 1,896
MULTIPLIED by the number of units applied for	<u>      x5</u>
Product	\$ 9,480
ADD face amount of basic policy	<u>10,000</u>
TOTAL amount applied for	\$19,480

The total amount applied for is within the non-medical amount limit for age 30. If the proposed insured were over age 30, a medical examination would be required.

NOTE - See TABLES for the commuted value tables for each Family Security Rider.

The table below indicates the maximum number of \$10 Monthly Income units the Company will issue on a non-medical basis when a Family Security Rider is attached to any permanent basic policy.

Attachment 10

NLIC Post-1945 Samples Summary

(Non-white insureds only)

NLIC  
 ODI Race Based Premium Exam  
 NLIC Post-1945 Samples Summary (Non-white insureds only)

Policy Number	Application Provided?	Race On Application?	Race	Alternate Source of Race	Substandard Rating	Reason For Rating <sup>(1)</sup>	Occupation	Original Company Of Issue
314531	Yes	Yes	African-American		Table B	physical condition-gastritis	nurse's aid	FBLIC
580083	Yes	Yes	African-American		Flat \$5 per 1,000	female disorder (fibroid)	housewife	NLIC
713544	Yes	Yes	African-American		Flat \$10 per 1,000	arthritis, ovarian cyst	IBM Operator	NLIC
758190	Yes	Yes	African-American		Flat \$2.5 per 1,000	occupational rating	laborer-steel mfg.	NLIC
793234	Yes	Yes	African-American	Credit report	Flat \$2 per 1,000	occupational rating	saw mill operator	NLIC
798391	Yes	Yes	African-American		Table A	overweight	brick layer	NLIC
824992	Yes	Yes	African-American	Credit report	Table B	overweight	driver-beverage delivery	NLIC
842119	Yes	No	African-American	Credit report	Table D (lowered to B)	one kidney	postal clerk	NLIC
865026	Yes	No	African-American	Credit report	Table C	"confidential"-medical history	porter	NLIC
871308	Yes	No	African-American	Credit report	Table B	overweight	domestic childcare	NLIC
972883	Yes	No	African-American	Credit report	Table D	HBP, peptic ulcer disease	machine operator	NLIC

(1) As determined by the examiners based upon review of underwriting data provided by NLIC.

Attachment 11.1

NLIC Post-1945 Samples Summary

(White, Unknown insureds only)

Based Premium Exam  
 Post-1945 Samples Summary (White, Unknown insureds only)

	Reason For Rating <sup>(1)</sup>	Policy Count
	Aviation	3
	Build, Physical Condition	6
	Build, Physical History	2
	Build/Overweight	19
	Family History	1
	Morals/Habits	1
	Occupation	32
	Physical condition	10
	Physical condition, occ.	1
	Physical History	18
	War/aviation	1
	Unknown	3
total		97
known	Aviation	1
	Build, Physical History	2
	Build/Overweight	4
	Foreign Residence	1
	Occupation	4
	Physical condition	13
	Physical History	12
	Unknown	2
total		39
total		136

) As determined by the examiners based upon review of underwriting data provided by NLIC

## Attachment 11.2

### NLIC Post-1945 Samples Summary

(White insureds only rated for Build/Overweight or Occ.)

NLIC  
 ODI Race Based Premium Exam  
 NLIC Post-1945 Samples Summary (White insureds only rated for Build/Overweight or Occ.)

Policy Number	Race	Reason For Rating <sup>(1)</sup>	Substandard Rating	Occupation
204547	W	Build/Overweight	B	Housewife
223656	W	Build/Overweight	D	Grocery Store Mgr
218089	W	Build/Overweight	A	Meat Cutter/Mgr
271634	W	Build/Overweight	BB	Bookkeeper
174578	W	Build/Overweight	A	Housewife
218089	W	Build/Overweight	A	Meat Cutter
223656	W	Build/Overweight	D	Proprietor
204547	W	Build/Overweight	B	Housewife
351452	W	Build/Overweight	7.5	Child
462272	W	Build/Overweight	C	Housewife
554750	W	Build/Overweight	C	Housewife
561362	W	Build/Overweight	F	Dredgeman
590395	W	Build/Overweight	C	Sales
657891	W	Build/Overweight	B	Teacher
660879	W	Build/Overweight	A	Executive
688724	W	Build/Overweight	B	Maintenance
697112	W	Build/Overweight	B	Student
700646	W	Build/Overweight	A	Housewife
705388	W	Build/Overweight	B	Farmer
Count	19			
205769	W	Occupation	\$2.50	Lumberman
179767	W	Occupation	A	Steel Mill electrician
163955	W	Occupation	A	Pottery worker/farm
161438	W	Occupation	A	Auto Body Worker
157054	W	Occupation	A	Coal Truck Driver
247029	W	Occupation	\$2.00	Prison Guard
244376	W	Occupation	A	Laborer
239801	W	Occupation	A	Coal Truck Driver
231645	W	Occupation	\$2.50	Electrician
224944	W	Occupation	\$2.50	Logging
208927	W	Occupation	\$2.50	Electrician
267271	W	Occupation	A	Textile Worker
212966	W	Occupation	C	Brick Layer
224944	W	Occupation	2.5	Logging
231645	W	Occupation	2.5	Electrician
239801	W	Occupation	A	Coal Truck Driver
244376	W	Occupation	A	Laborer
247029	W	Occupation	2.5	Prison Guard
157054	W	Occupation	A	Coal Truck Driver
161438	W	Occupation	A	Auto Body Man
163955	W	Occupation	A	Pottery Worker
179767	W	Occupation	A	Steel Worker
205769	W	Occupation	2.5	Lumberman
355132	W	Occupation	2	Laborer
388650	W	Occupation	5	Lineman
477290	W	Occupation	2	Bander
574615	W	Occupation	2	Laborer
605101	W	Occupation	2	Laborer
631378	W	Occupation	2	Laborer
631815	W	Occupation	2	Yard Helper
645037	W	Occupation	3	Lineman
697784	W	Occupation	3	Mine Electrician
Count	32			

(1) As determined by the examiners based upon review of underwriting data provided by NLIC.

Attachment 12

NLIC Response to Draft Report



RECEIVED  
July 21 2004  
OHIO DEPT. OF INSURANCE  
MARKET CONDUCT DIVISION

**James L. Pierson**  
Vice President  
Chief Compliance Officer

One Nationwide Plaza  
01-38-08  
Columbus, Ohio 43215  
Telephone (614) 249-9072  
Telecopier (614) 961-3062  
pierso@nationwide.com

June 29, 2004

Daniel Atkisson, CPCU, CIDM, CIE  
Insurance Compliance Supervisor  
2100 Stella Court  
Columbus, Ohio 43215-1067

Re: Nationwide Life Insurance Company  
Draft Report Provided for Company  
Comment – Historical Sales Practices  
Activities

Dear Dan,

Thank you for providing a finalized draft of this Report and the opportunity to comment on this Report.

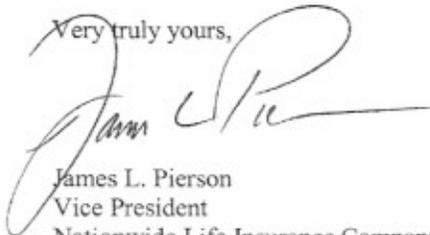
Nationwide Life Insurance Company hereby submits the following comments:

“In June of 2000, Nationwide Life Insurance Company, on its own initiative, reviewed its records to determine the potential for any historical, race-based pricing discrimination of its life insurance products. No evidence was found of any policies rated based on race. It is Nationwide’s view that the Ohio Insurance Department, following its standard processes in reviewing insurers records in this regard, validated the Company’s records review in this final public report that no race-based pricing of life policies occurred.”

Please advise when this matter is formally closed and when this report, and the above-submitted comments, are made public.

Thank you for the courtesy extended during the course of this examination.

Very truly yours,



James L. Pierson  
Vice President  
Nationwide Life Insurance Company

Cc: Tom Prunte  
Betsy Ponzi

Home Office: One Nationwide Plaza  
Columbus, Ohio 43215-2220

Nationwide Insurance  
Nationwide Financial