

DELAWARE DEPARTMENT OF INSURANCE

MARKET CONDUCT EXAMINATION REPORT

Nationwide Mutual Fire Insurance Company
Examination Authority # 23779-16-917

Nationwide Property and Casualty Insurance Company
Examination Authority # 37877-16-918

Nationwide General Insurance Company
Examination Authority # 23760-16-919

Harleysville Preferred Insurance Company
Examination Authority # 35696-16-920

Nationwide Mutual Insurance Company
Examination Authority # 23787-16-921

Harleysville Worcester Insurance Company
Examination Authority # 26182-16-922

Titan Indemnity Company
Examination Authority # 13242-16-923

One Nationwide Plaza
Columbus, OH 43215

As of

May 31, 2016

Trinidad Navarro
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION

OF THE

**Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company
Nationwide General Insurance Company
Harleysville Preferred Insurance Company
Nationwide Mutual Insurance Company
Harleysville Worcester Insurance Company
Titan Indemnity Company**

AS OF

May 31, 2016

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.



In Witness Whereof, I have hereunto set my hand
and affixed the official seal of this Department at the
City of Dover, this 29 day of January, 2019.



Trinidad Navarro
Insurance Commissioner

Trinidad Navarro
Commissioner



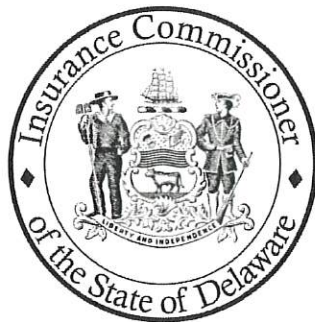
Delaware Department of Insurance

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of May 31, 2016 on

**Nationwide Mutual Fire Insurance Company
Nationwide Property and Casualty Insurance Company
Nationwide General Insurance Company
Harleysville Preferred Insurance Company
Nationwide Mutual Insurance Company
Harleysville Worcester Insurance Company
Titan Indemnity Company**

is a true and correct copy of the document filed with this Department.

Attest By: _____



In Witness Whereof, I have hereunto set my hand
and affixed the official seal of this Department at the
City of Dover, this 27 day of January, 2019.

Trinidad Navarro
Insurance Commissioner

Table of Contents

EXECUTIVE SUMMARY	2
SCOPE OF EXAMINATION	6
METHODOLOGY	6
COMPANY OPERATIONS AND MANAGEMENT	7
COMPLAINT HANDLING	10
UNDERWRITING AND RATING	11
CLAIMS	14
PERSONAL INJURY PROTECTION (PIP) REVIEW	19
CONCLUSION	21

Honorable Trinidad Navarro
Insurance Commissioner
State of Delaware
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner Navarro:

In compliance with the instructions contained in Examination Authority Numbers: 23779-16-917, 37877-16-918, 23760-16-919, 35696-16-920, 23787-16-921, 26182-16-922, and 13242-16-923 pursuant to statutory provisions including 18 *Del. C.* §§ 318-322, a market conduct examination has been conducted of the affairs and practices of:

Nationwide Mutual Fire Insurance Company NAIC #23779
Nationwide Property and Casualty Insurance Company NAIC #37877
Nationwide General Insurance Company NAIC #23760
Harleysville Preferred Insurance Company (NAIC #35696)
Nationwide Mutual Insurance Company NAIC #23787
Harleysville Worcester Insurance Company NAIC #26182
Titan Indemnity Company NAIC #13242

This examination of all companies was performed as of May 31, 2016. The examination consisted of two phases, an on-site phase and an off-site phase. The on-site phase of the examination was conducted at the following Company location:

One Nationwide Plaza
Columbus, OH 43215

The off-site examination phase and was performed at the offices of the Delaware Department of Insurance, hereinafter referred to as the Department or DDOI, or other suitable locations.

The report of examination herein is respectfully submitted.

EXECUTIVE SUMMARY

On their 2015 annual statements filed with the Department, Nationwide Mutual Fire Insurance Company (NMFIC), Nationwide Property and Casualty Insurance Company (NPCIC), Nationwide General Insurance Company (NGIC), Harleysville Preferred Insurance Company (HPIC), Nationwide Mutual Insurance Company (NMIC), Harleysville Worcester Insurance Company (HWIC), Titan Indemnity Company (TIC), herein after referred to as the Nationwide Companies, reported total premiums written for all states of \$7,910,757,809 of which Delaware has a market share of \$180,950,278 or approximately 2.29%.

This examination focused on the Nationwide Companies private auto and homeowner lines in the following areas of operation: Complaint Handling, Underwriting and Rating, and Claims for the period January 1, 2015 through May 31, 2016. In addition, a targeted review of personal injury protection (PIP) claims for the period of July 1, 2015 through April 30, 2017 was conducted.

This report encompasses 7 Nationwide Companies, throughout the report, exceptions will only be noted if exceptions were found for a particular company. If no company is mentioned, then there were no exceptions found.

The following exceptions were noted in the areas of operation reviewed:

- **1 Exception**
18 Del. Admin. C. 902 § 1.2.1.2 Prohibited Unfair Claim Settlement Practices
1.2.1.2 Failing to acknowledge and respond within 15 working days, upon receipt by the insurer, to communications with respect to claims by insureds arising under insurance policies.

HPIC failed to acknowledge and respond within 15 working days.

- **1 Exception**
18 Del. Admin. C. 902 § 1.2.1.3 Prohibited Unfair Claim Settlement Practices
1.2.1.3 Failing to implement prompt investigation of claims arising under insurance policies within 10 working days upon receipt of the notice of loss by the insurer.

HPIC failed to implement prompt investigation of the claim within 10 working days.

- **12 Exceptions**
18 Del. Admin. C. 902 § 1.2.1.5 Prohibited Unfair Claim Settlement Practices
1.2.1.5 Failing to affirm or deny coverage or a claim or advise the person presenting the claim, in writing, or other proper legal manner, of the reason for the inability to do so, within 30 days after proof of loss statements have been received by the insurer.

HPIC/NPCIC/NMFIC/NGIC failed to affirm, deny, or provide a reason for the inability to make a claim decision within 30 days of receipt of proof of loss.

- **1 Exception**
18 Del. Admin. C. 902 § 1.2.1.13 Prohibited Unfair Claim Settlement Practices

1.2.1.13 Failing when requested to promptly provide an explanation of the basis in the insurance policy in relation to facts or applicable law for denial of a claim or for the offer of a compromise settlement. Such explanation may be made verbally but when given, must be documented in the claims file.

HPIC failed to provide an explanation as to why this claim was closed without payment.

- **3 Exceptions**
18 Del. Admin. C. 903 § 4.0 Prompt Payment of Settled Claims
4.0 Prompt Payment

For the purpose of this regulation prompt payment is defined as remittance of the check within 30 days from: the date of agreement, memorialized in writing; final order by the court; or unappealed arbitration award.

HPIC/NMFIC/NPCIC failed to make payment within 30 days of notification.

- **2 Exceptions**
18 Del. C. § 2304(2) Unfair methods of competition and unfair or deceptive acts or practices defined.

2) False information and advertising generally. — No person shall make, publish, disseminate, circulate or place before the public, or cause, directly or indirectly, to be made, published, disseminated, circulated or placed before the public, in a newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster, or over any radio or television station, or in any other way, an advertisement, announcement or statement containing any assertion, representation or statement with respect to the business of insurance or with respect to any person in the conduct of the insurance business, which is untrue, deceptive or misleading.

NPCIC representative advised the insured that a surcharge is being applied by the State of Delaware and that Delaware receives the money from the surcharge which is incorrect, as the State of Delaware does not apply a surcharge nor collect fees for excluded drivers.

- **1 Exception**
18 Del. C. § 2304(16)b Unfair methods of competition and unfair or deceptive acts or practices defined.

The following are hereby defined as unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:

(16) Unfair claim settlement practices. – No person shall commit or perform with such frequency as to indicate a general business practice any of the following:

b. Failing to acknowledge and act reasonably promptly upon communication with respect to claims arising under insurance policies;

HPIC failed to acknowledge and act reasonably promptly upon communication with respect to this claim as there was no contact with the claimant.

- **1 Exception**

18 Del. C. § 2304(16)d Unfair methods of competition and unfair or deceptive acts or practices defined.

The following are hereby defined as unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:

(16) Unfair claim settlement practices. – No person shall commit or perform with such frequency as to indicate a general business practice any of the following:

d. Refusing to pay claims without conducting a reasonable investigation based upon all available information;

HPIC did not contact the claimant or conduct a reasonable investigation.

- **1 Exceptions**

18 Del. C. § 2304(16)e Unfair methods of competition and unfair or deceptive acts or practices defined.

The following are hereby defined as unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:

(16) Unfair claim settlement practices. – No person shall commit or perform with such frequency as to indicate a general business practice any of the following:

e. Failing to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed;

HPIC initially denied coverage within 15 days. However, the agent questioned the Company about this and coverage was then extended.

- **1 Exception**

18 Del. C. § 2304(16)n Unfair methods of competition and unfair or deceptive acts or practices defined.

The following are hereby defined as unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:

(16) Unfair claim settlement practices. – No person shall commit or perform with such frequency as to indicate a general business practice any of the following:

n. Failing to promptly provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for denial of a claim or for the offer of a compromise settlement.

NPCIC failed to specify the factual/legal basis for denial of the claim.

- **94 Exceptions (from the expanded PIP review)**

- **21 Del. C. § 2118B Processing and payment of insurance benefits.**

- *(a) The purpose of this section is to ensure reasonably prompt processing and payment of sums owed by insurers to their policyholders and other persons covered by their policies pursuant to § 2118 of this title, and to prevent the financial hardship and damage to personal credit ratings that can result from the unjustifiable delays of such payments.*

- *(c) When an insurer receives a written request for payment of a claim for benefits pursuant to § 2118(a)(2) of this title, the insurer shall promptly process the claim and shall, no later than 30 days following the insurer's receipt of said written request for first-party insurance benefits and documentation that the treatment or expense is compensable pursuant to § 2118(a) of this title, make payment of the amount of claimed benefits that are due to the claimant or, if said claim is wholly or partly denied, provide the claimant with a written explanation of the reasons for such denial. If an insurer fails to comply with the provisions of this subsection, then the amount of unpaid benefits due from the insurer to the claimant shall be increased at the monthly rate of:*

- *(1) One and one-half percent from the thirty-first day through the sixtieth day; and*

- *(2) Two percent from the sixty-first day through the one hundred and twentieth day; and*

- *(3) Two and one-half percent after the one hundred and twenty-first day.*

- *(f) The remedies provided by this section are in addition to all other remedies available to the claimant under state and federal statutory or common law.*

HPIC/HWIC/NMIC/NPCIC failed to either make payment or to provide documentation that payment was made within 30 days of notification.

- **1 Exception**

- **18 Del. C. § 3904(a)2 Cancellation or nonrenewal of automobile policy — Reasons for cancellation or nonrenewal.**

- *(a) No notice of cancellation of a policy shall be effective and the insurer shall not refuse renewal or threaten to refuse renewal of a policy unless based on 1 or more of the following reasons:*

- *2) The policy was obtained through a material misrepresentation;*

A policy issued by NPCIC was cancelled due to the insured's failure to disclose three additional drivers in the household. Upon listening to the call, the insured did indeed disclose the drivers to the agent. It is recommended that the NPCIC only send cancellation notices if there is a valid reason.

- **2 Exceptions**

- **18 Del. C. § 3905(a) Cancellation or nonrenewal of automobile policy — Notice of cancellation or intention not to renew; notice of reasons**

- *(a) No cancellation of a policy to which § 3904(a) of this title applies shall be effective unless notice thereof is mailed or delivered by the insurer to the named insured at least 30 days prior to the effective date of cancellation and accompanied by the reason for cancellation, except that, where cancellation is for nonpayment of premium, at least 10 days' notice of cancellation accompanied by the reason therefor shall be given.*

NMIC and NPCIC each failed to provide notice of cancellation to the insured.

- **1 Exception**

- **18 Del. C. § 4122(b) Notification and reasons for declination or termination**

- *(b) A notice of cancellation of property insurance coverage by an insurer shall be in writing, shall be delivered to the named insured or mailed to the named insured at the last known address of the named insured, shall state the effective date of the cancellation and shall be accompanied by a written explanation of the specific reasons for the cancellation. Proof of mailing of such cancellation notice shall be retained by the insurer for a period of not less than 1 year.*

The cancellation notice for the policy issued by HPIC did not provide a specific reason for the cancellation.

SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by 18 Del. C. §§ 318-322 and covered the experience period of January 1, 2015, through May 31, 2016, unless otherwise noted. The purpose of the examination was to determine compliance by the Company with Delaware insurance laws and regulations related to the private auto and homeowner lines.

The examination was a targeted market conduct examination of the private auto and homeowner lines for the period of January 1, 2015, through May 31, 2016 along with an additional review of personal injury protection claims for the period of July 1, 2015 through April 30, 2017.

METHODOLOGY

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While the examiners' report on the errors found in individual files, the general business practices of the Company were also a subject of the review.

Delaware Market Conduct Examination
Nationwide Companies

The Company was requested to identify the universe of files for each segment of the review. Based on the universe sizes identified, random sampling was utilized to select the files reviewed for this examination.

Delaware Market Conduct Examination Reports generally note only those items to which the Department takes exception. An exception is any instance of Company activity that does not comply with an insurance statute or regulation. Exceptions contained in the Report may result in imposition of penalties. Generally, practices, procedures, or files that were reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review these areas of concern in order to determine the potential impact upon Company operations or future compliance.

Throughout the course of the examination Company officials were provided status memoranda which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials to discuss the various types of exceptions identified during the examination and review written summaries provided on the exceptions found.

COMPANY OPERATIONS AND MANAGEMENT

Company History

The following is a description of the seven (7) Nationwide Companies:

1. NATIONWIDE MUTUAL FIRE INSURANCE COMPANY

Nationwide Mutual and Fire Insurance Company, incorporated on December 27, 1933 under the laws of Ohio, began business on April 15, 1934. Operations were conducted under the title Farm Bureau Mutual Fire Insurance Company from inception until September 1, 1955, when the present corporate name was adopted. The company is licensed in the District of Columbia, U.S. Virgin Islands and all 50 states.

In 2015, Nationwide Mutual and Fire Insurance Company reported \$1,633,354,682 premium of which \$22,806,623 was written in Delaware.

2. NATIONWIDE PROPERTY AND CASUALTY INSURANCE

Nationwide Property and Casualty Insurance Company was incorporated on November 9, 1979 under the laws of Ohio and began business July 1, 1981. Paid up capital of \$2,400,000 is comprised of 200,000 authorized shares at \$50 par value each. There are 60,000 shares outstanding. All of the outstanding capital is owned by the parent,

Delaware Market Conduct Examination
Nationwide Companies

Nationwide Mutual Insurance Company, Columbus, Ohio. The company is licensed in the District of Columbia, AL, AK, AZ, AR, CA, CO, CT, DE, FL, GA, ID, IL, IN, IA, KS, KY, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NM, NY, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, and WV.

In 2015, Nationwide Property and Casualty Insurance Company reported \$1,657,995,396 premium of which \$37,638,117 was written in Delaware.

3. NATIONWIDE GENERAL INSURANCE COMPANY

Nationwide General Insurance Company was incorporated on August 21, 1957 under the laws of Ohio as the TransAmerica Insurance Company. It began business on September 3, 1958. The present title was adopted on April 8, 1958. All of the outstanding capital stock was held by the Nationwide Mutual Insurance Company and the Nationwide Mutual Fire Insurance Company until April 1974. At that time, the latter's interest (approximately 25%) was purchased by the Nationwide Mutual Insurance Company. The company is licensed in the District of Columbia, AL, AK, AR, CA, CT, DE, FL, GA, ID, IL, IN, IA, KS, KY, LA, ME, MD, MI, MN, MS, MO, MT, NE, NV, NH, NM, NY, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, and WV.

In 2015, Nationwide General Insurance Company reported \$903,882,261 premium of which \$13,708,242 was written in Delaware.

4. HARLEYSVILLE PREFERRED INSURANCE COMPANY

Harleysville Preferred Insurance Company was originally incorporated on May 24, 1977, under the laws of Indiana as the Great Lakes Insurance Company. It began business on May 4, 1978. The title Huron Insurance Company was adopted on August 15, 1978. All of the outstanding common stock was acquired in 1982 from Anchor Holding Company by Harleysville Group Inc. which was majority owned by Harleysville Mutual Insurance Company at that time. To effect a re-domestication, the company was merged in February 1986, into Huron Insurance Company, a Pennsylvania domiciled company formed in October 1985. On July 1, 2001, the present title was adopted. In May of 2012, Harleysville Mutual Insurance Company and its subsidiaries were merged into Nationwide Mutual. The remaining subsidiaries were added to the Nationwide pooling agreement in January 2013. The company is licensed in the District of Columbia, AL, AR, CT, DE, FL, GA, IL, IN, IA, KS, KY, ME, MD, MA, MI, MN, MS, MO, NE, NH, NJ, NY, NC, ND, OH, PA, RI, SC, SD, TN, VT, VA, WV, and WI.

In 2015, Harleysville Preferred Insurance Company reported \$261,562,032 premium of which \$5,548,586 was written in Delaware.

5. NATIONWIDE MUTUAL INSURANCE COMPANY

Nationwide Mutual Insurance Company, incorporated on December 16, 1925, under the laws of Ohio, began business on April 14, 1926, under the sponsorship of The Ohio Farm

Bureau Federation to provide automobile insurance for Farm Bureau members at cost. Operations were conducted under the title Farm Bureau Mutual Automobile Insurance Company until September 1, 1955. On that date, the present corporate title was adopted. The company is licensed in the District of Columbia, U.S. Virgin Islands and all 50 states. It is also licensed in Canada in the provinces of British Columbia and Ontario.

In 2015, Nationwide Mutual and Fire Insurance Company reported \$2,885,382,327 premium of which \$81,387,565 was written in Delaware.

6. HARLEYSVILLE WORCESTER INSURANCE COMPANY

Harleysville Worcester Insurance Company was incorporated as the Worcester Mutual Fire Insurance Company under the laws of Massachusetts, February 1, 1823, and commenced business May 1, 1824. Charter amendments adopted in 1950 authorized the writing of multiple lines. The word "Fire" was eliminated from its corporate title in 1973. On August 31, 1983, Worcester Mutual Insurance Company completed its conversion from a mutual to a stock company. Concurrent with the conversion, the word "Mutual" was dropped from the corporate title. All of the outstanding shares of Harleysville Worcester Insurance Company were purchased on August 20, 1983, by Harleysville Group Inc., which was a downstream holding company, majority owned by Harleysville Mutual Insurance Company at that time. On July 1, 2001, the present title was adopted. The company redomesticated from Massachusetts to Pennsylvania on December 31, 2006. Effective December 31, 2011, Harleysville Insurance Company of Ohio and Harleysville Atlantic Insurance Company merged with and into Harleysville Worcester Insurance Company. In May of 2012, Harleysville Mutual Insurance Company and its subsidiaries were merged into Nationwide Mutual. The remaining subsidiaries were added to the Nationwide pooling agreement in January 2013. The company is licensed in the District of Columbia, AL, AR, CT, DE, FL, GA, IL, IN, IA, KS, KY, ME, MD, MA, MI, MN, MS, MO, NE, NH, NJ, NY, NC, ND, OH, PA, RI, SC, SD, TN, VT, VA, WV, and WI.

In 2015, Harleysville Worcester Insurance Company reported \$411,044,510 premium of which \$6,794,098 was written in Delaware.

7. TITAN INDEMNITY COMPANY

Titan Indemnity Company was incorporated under the laws of Texas as the Technology Insurance Company on January 18, 1984 and began business on April 26, 1984. Nationwide Mutual Insurance acquired THI Holdings, Inc., which owns Titan Indemnity Company, on August 1, 2003. The company is licensed in the District of Columbia and all 50 states

In 2015, Titan Indemnity Company reported \$157,536,601 premium of which \$13,067,047 was written in Delaware.

On their 2015 annual statements filed with the Department, Nationwide Mutual Fire

Delaware Market Conduct Examination
Nationwide Companies

Insurance Company, Nationwide Property and Casualty Insurance Company, Nationwide General Insurance Company, Harleysville Preferred Insurance Company, Nationwide Mutual Insurance Company, Harleysville Worcester Insurance Company, and Titan Indemnity Company reported total premiums written for all states of \$7,910,757,809 of which Delaware has a market share of \$180,950,278 or approximately 2.29%.

Internal Audit

The Company provided a list of all internal audits conducted within the last three years. Internal audits include those audits completed by an internal audit functions within the company or conducted via a contracted vendor on behalf of the company.

A review of 12 different audit reports covering underwriting and claim operations and functions revealed no irregularities.

Antifraud and Special Investigations Units (SIU)

Anti-fraud procedures and annual reports were submitted by the Company for review. Interviews were conducted with chief Anti-Fraud and Special Investigation Unit personnel. The reviews and interview provided a more in-depth look at how the Company handles investigations.

A comparison was made between what the company has reported to the National Insurance Crime Bureau (NICB) and what the DDOJ has on files. The Company was asked to submit a listing of closed SIU cases that had been referred to their fraud unit for further review. This list was compared to reported cases received by the DDOJ from the NICB.

No inconsistencies or exceptions were noted.

COMPLAINT HANDLING

The Company provided a list of all complaints received during the examination period. The following are populations and samples reviewed for each company.

Company Name	Population	Sample
Nationwide Mutual Fire Insurance Company	30	30
Nationwide Property and Casualty Insurance Company	109	50
Nationwide General Insurance Company	22	22
Nationwide Mutual Insurance Company	131	50
Titan Indemnity Company	30	30
Harleysville Preferred Insurance Company	5	0
Harleysville Worcester Insurance Company	1	1
Total	328	178

The Company provided written complaint handling procedures. The complaint log was reviewed for compliance with 18 *Del. C.* § 2304 (17). This section of the Code requires maintenance of a complete record of all complaints received since the date of its last examination. Section 2304 (17) provides that the record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of the complaint and the time it took to process each complaint. Written complaint files involving claims were also reviewed for compliance with 18 *Del. Admin. C.* 902 § 1.2.1.2.

The following exceptions were noted:

Nationwide Property and Casualty

The DDOI received a complaint from a NPCIC policyholder. The insured requested to remove his spouse as she was no longer able to drive. NPCIC did exclude her from the policy, which caused the premium to increase. During the conversation between the insured and NPCIC, the NPCIC representative advised the insured that a surcharge is being applied by the State of Delaware and that Delaware receives the money from the surcharge. The State of Delaware does not apply a surcharge nor collect fees for excluded drivers.

2 Exceptions - 18 *Del. C.* § 2304(2) Unfair methods of competition and unfair or deceptive acts or practices defined.

NPCIC representative advised the insured that a surcharge is being applied by the State of Delaware and that Delaware receives the money from the surcharge.

Recommendation: It is recommended NPCIC improve their training program to ensure accurate information is relayed from NPCIC representatives to consumers as required by 18 *Del. C.* § 2304(2).

UNDERWRITING AND RATING

Policies Applied For

The Nationwide Companies provided a list of all policies applied for during the examination period. The Companies also provided a copy of the rate filings for rates in use during the examination period, to ensure the examiners have the rate methodology and a description of all factors considered during the rating process. It was determined that the Companies utilize Tier Rating. Education, occupation and insurance credit score are some of the characteristics used for new business tier placement. These characteristics have an impact on the rates that policyholders are ultimately charged.

The following are populations and samples reviewed for each company.

Delaware Market Conduct Examination
 Nationwide Companies

Company Name	Population	Sample
Nationwide Property and Casualty Insurance Company - Auto	8,066	5
Titan Indemnity Company - Auto	10,859	5
Harleysville Preferred Insurance Company & Nationwide Mutual Insurance Company Combined - Homeowner	50	5
Harleysville Worcester Insurance Company - Auto	1,123	5
Nationwide General Insurance Company - Homeowners	5,229	5
Nationwide Mutual Insurance Company - Auto	382	5
Harleysville Preferred Insurance Company - Homeowners	132	5
Total	25,841	35

No exceptions were noted.

Policies Re-written

The Nationwide Companies were requested to provide a listing of all policies changed or re-written during the examination period, regardless of when the policy became effective, and to include any policy that was re-written, modified or re-issued during the examination period. The Companies were also requested to provide a copy of the rate filings for rates in use during the examination period, and to ensure the examiners have the rate methodology and a description of all factors considered during the rating process.

The following are populations and samples reviewed for each company. The following are populations and samples reviewed for each company.

Company Name	Population	Sample
Nationwide Companies Combined - Auto	5,206	5
Titan Indemnity Company - Auto	105	5
Harleysville Worcester Insurance - Auto	45	5
Nationwide Companies Combined - Homeowners	354	5
Harleysville Preferred Insurance Company - Homeowners	10	5
Harleysville Worcester Insurance Company & Nationwide Mutual Insurance Company - Combined - Homeowners	5	5
Total	5,725	30

No exceptions were noted.

Policies Terminated

The following are populations and samples reviewed for each company.

Company Name	Population	Sample
Nationwide Companies Combined - Auto	478	150
Titan Indemnity Company - Auto	344	82
Harleysville Preferred Insurance - Auto	53	8
Harleysville Worcester Insurance Company - Auto	100	27
Nationwide Companies Combined - Homeowners	419	150
Harleysville Preferred Insurance Company - Homeowners	81	22
Harleysville Worcester Insurance Company & Nationwide Mutual Insurance Company - Combined - Homeowners	7	7
Total	1,482	446

Terminations – Nationwide Companies Combined Auto

The Company provided a list of claims that were filed with the Company during the experience period of January 1, 2015 through May 31, 2016. The Company noted a total of 478 terminated files. A random sample of 150 was selected for review. The files were reviewed for compliance with 18 *Del. C.* §§ 3903-3906.

The following exceptions were noted:

1 Exception - 18 *Del. C.* § 3904(a)2 Cancellation or nonrenewal of automobile policy — Reasons for cancellation or nonrenewal.

A policy issued by NPCIC was cancelled due to the insured’s failure to disclose three additional drivers in the household. Upon listening to the call, the insured did indeed disclose the drivers to the agent.

Recommendation: It is recommended NPCIC ensure that the information received is properly notated as required by 18 *Del. C.* § 3904(a)2.

2 Exceptions - 18 *Del. C.* § 3905(a) Cancellation or nonrenewal of automobile policy — Notice of cancellation or intention not to renew; notice of reasons [For application of this section, see 79 *Del. Laws, c. 390, § 8]*

NMIC and NPCIC each failed to provide notice of cancellation to the insured.

Recommendation: It is recommended that NMIC and NPCIC provide a notice of cancellation to the insured as required by 18 *Del. C.* § 3905(a).

Terminations – Harleysville and Nationwide Mutual Insurance Company Homeowners

HPIC/HWIC and NMIC provided a list of policies terminated during the experience period of January 1, 2015 through May 31, 2016. The Company noted a total of 7 terminated files. All 7 were selected for review. The files were reviewed for compliance with 18 *Del. C.* § 4122-4125.

The following exception was noted:

1 Exception - 18 *Del. C.* § 4122(b) Notification and reasons for declination or termination [For application of this section, see 79 *Del. Laws, c. 390, § 8*]

The cancellation notice for the policy issued by HPIC did not provide a specific reason for the cancellation.

Recommendation: It is recommended that HPIC provide a reason for cancellation to the insured as required by 18 *Del. C.* § 4122(b).

CLAIMS

Paid Claims

The Company provided a listing of all claims paid during the examination period for each company. The following are populations and samples reviewed for each company:

Company Name	Population	Sample
Nationwide Companies Combined - Auto	25,761	275
Harleysville Preferred Insurance Company & Harleysville Worcester Insurance Company Combined - Auto	615	76
Nationwide Companies Combined - Homeowners	1,984	150
Harleysville Preferred Insurance Company & Nationwide Mutual Insurance Company Combined - Homeowners	157	76
Total	28,472	577

The following sections detail the exceptions noted during the paid claims review:

Nationwide Companies Combined Homeowner

The Nationwide Companies provided a list of claims that were filed during the experience period of January 1, 2015 through May 31, 2016. The Company noted a total of 1,984 claims filed. A random sample of 150 files was selected for review. The claims were reviewed for compliance with 18 *Del. Admin. C.* 902, 903, and 18 *Del. C.* § 2304.

The following exceptions were noted:

2 Exceptions - 18 *Del. Admin. C.* 902 § 1.2.1.5 Prohibited Unfair Claim Settlement Practices

NPCIC failed to affirm, deny, or provide a reason for the inability to make a claim decision within 30 days of receipt of proof of loss.

Recommendation: It is recommended that NPCIC provide a reason for the inability to acknowledge a claim within 30 days as required by 18 *Del. Admin. C.* 902 § 1.2.1.5.

2 Exceptions - 18 *Del. Admin. C.* 903 § 4.0 Prompt Payment

NMFIC and NPCIC each failed to make payment within 30 days of notification.

Recommendation: It is recommended that NMFIC and NPCIC make payment within 30 days of notification as required by 18 *Del. Admin. C.* 903 § 4.0.

HPIC & NMIC Paid Homeowner

The Company provided a list of claims that were filed with the Company during the experience period of January 1, 2015 through May 31, 2016. The Company noted a total of 157 claims filed. A random sample of 76 files was selected for review. The claims were reviewed for compliance with 18 *Del. Admin. C.* 902, 903, and 18 *Del. C.* § 2304. The following exception was noted:

1 Exception - 18 *Del. Admin. C.* 903 § 4.0 Prompt Payment of Settled Claims

HPIC failed to make payment within 30 days of notification.

Recommendation: It is recommended that HPIC make payment within 30 days of notification as required by 18 *Del. Admin. C.* 903 § 4.0.

Claims Denied or Closed Without Payment

The Company provided a listing of all claims Denied or Closed Without Payment during the examination period for each company. The following are populations and samples reviewed for each company:

Delaware Market Conduct Examination
 Nationwide Companies

Company Name	Population	Sample
Nationwide Companies Combined - Auto	13,286	250
Harleysville Preferred Insurance Company & Harleysville Worcester Insurance Company Combined - Auto	217	76
Nationwide Companies Combined – Homeowners Denied	318	128
Nationwide Companies Combined – Homeowners – Closed Without Payment	526	75
Harleysville Preferred Insurance Company & Nationwide Mutual Insurance Company Combined - Homeowners	67	67
Total	14,414	596

Claims – HPIC Auto

HPIC provided a list of claims that were filed with the Company during the experience period of January 1, 2015 through May 31, 2016. The Company noted a total of 217 claims filed. A random sample of 76 files was selected for review. The claims were reviewed for compliance with 18 Del. Admin. C. 902, 903, and 18 Del. C. § 2304.

The following exceptions were noted:

1 Exception - 18 Del. C. § 2304(16)b Unfair methods of competition and unfair or deceptive acts or practices defined.

HPIC failed to acknowledge and act reasonably promptly upon communication with respect to this claim as there was no contact with the claimant.

Recommendation: It is recommended that HPIC provide a reason for the inability to acknowledge a claim within 30 days as required by 18 Del. C. § 2304(16)b.

1 Exception - 18 Del. C. § 2304(16)d Unfair methods of competition and unfair or deceptive acts or practices defined.

HPIC did not contact the claimant or conduct a reasonable investigation.

Recommendation: It is recommended that HPIC contact the claimant or conduct a reasonable investigation as required by 18 Del. C. § 2304(16)d.

1 Exception - 18 Del. Admin. C. 902 § 1.2.1.5 Prohibited Unfair Claim Settlement Practices

HPIC failed to affirm, deny, or provide a reason for the inability to make a claim decision within 30 days of receipt of proof of loss.

Recommendation: It is recommended that HPIC provide a reason for the inability to make a claim within 30 days as required by 18 *Del. Admin. C.* 902 § 1.2.1.5.

Claims – HPIC Homeowner

HPIC provided a list of claims that were filed with the Company during the experience period of January 1, 2015 through May 31, 2016. The Company noted a total of 67 claims filed. All 67 files were selected for review. The claims were reviewed for compliance with 18 *Del. Admin. C.* 902, 903, and 18 *Del. C.* § 2304.

The following exceptions were noted:

1 Exception - 18 *Del. Admin. C.* 902 § 1.2.1.2 Prohibited Unfair Claim Settlement Practices

HPIC failed to acknowledge and respond within 15 working days.

Recommendation: It is recommended that HPIC acknowledge and respond within 15 working days as required by 18 *Del. Admin. C.* 902 § 1.2.1.2.

1 Exception - 18 *Del. Admin. C.* 902 § 1.2.1.3 Prohibited Unfair Claim Settlement Practices

HPIC failed to implement prompt investigation of the claim within 10 working days.

Recommendation: It is recommended that HPIC implement prompt investigation of claims within 10 working days as required by 18 *Del. Admin. C.* 902 § 1.2.1.3.

3 Exceptions - 18 *Del. Admin. C.* 902 § 1.2.1.5 Prohibited Unfair Claim Settlement Practices

HPIC failed to affirm, deny, or provide a reason for the inability to make a claim decision within 30 days of receipt of proof of loss.

Recommendation: It is recommended that HPIC provide a reason for the inability to make a claim within 30 days as required by 18 *Del. Admin. C.* 902 § 1.2.1.5.

1 Exception - 18 *Del. Admin. C.* 902 § 1.2.1.13 Prohibited Unfair Claim Settlement Practices

HPIC failed to provide an explanation as to why this claim was closed without payment.

Recommendation: It is recommended that HPIC provide an explanation as to why a claim is closed without payment as required by 18 *Del. Admin. C.* 902 § 1.2.1.13.

1 Exception - 18 Del. C. § 2304(16)e Unfair methods of competition and unfair or deceptive acts or practices defined.

HPIC initially denied coverage within 15 days. However, the agent questioned the Company about this and coverage was then extended.

Recommendation: It is recommended that HPIC affirm, deny, or provide a reason within a reasonable time as required by 18 Del. C. § 2304(16)e.

Claims – Nationwide Homeowner CWP

The Nationwide Companies provided a list of claims that were filed with the Company during the experience period of January 1, 2015 through May 31, 2016. The Company noted a total of 526 claims filed. A random sample of 75 files was selected for review. The claims were reviewed for compliance with 18 Del. Admin. C. 902, 903, and 18 Del. C. § 2304.

1 Exception - 18 Del. Admin. C. 902 § 1.2.1.5 Prohibited Unfair Claim Settlement Practices

NPCIC failed to affirm, deny, or provide a reason for the inability to make a claim decision within 30 days of receipt of proof of loss.

Recommendation: It is recommended that NPCIC provide a reason for the inability to make a claim within 30 days as required by 18 Del. Admin. C. 902 § 1.2.1.5.

Nationwide Combined Homeowner Denied Claims (CLASS)

The Nationwide Companies provided a list of claims that were filed with the Company during the experience period of January 1, 2015 through May 31, 2016. The Company noted a total of 318 claims filed. A random sample of 128 files was selected for review. The claims were reviewed for compliance with 18 Del. Admin. C. 902, 903, and 18 Del. C. § 2304.

5 Exceptions - 18 Del. Admin. C. 902 § 1.2.1.5 - Prohibited Unfair Claim Settlement Practices

NPCIC (2), NGIC (1) and NMFIC (2) failed to affirm, deny, or provide a reason for the inability to make a claim decision within 30 days of receipt of proof of loss.

Recommendation: It is recommended that NPCIC, NGIC and NMFIC provide a reason for the inability to acknowledge a claim within 30 days as required by 18 Del. Admin. C. 902 § 1.2.1.5.

1 Exception - 18 Del. C. § 2304(16)n - Unfair methods of competition and unfair or deceptive acts or practices defined.

NPCIC failed to specify the factual/legal basis for denial of the claim.

Recommendation: It is recommended that the NPCIC provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for denial of a claim or for the offer of a compromise settlement as required by 18 *Del. C.* § 2304(16)n.

PERSONAL INJURY PROTECTION (PIP) REVIEW

On June 1, 2016, pursuant to 18 *Del. C.* § 318, the Company was notified that the following examinations will be expanded.

Nationwide Mutual Fire Insurance Company, # 23779-16-917

Nationwide Property and Casualty Insurance Company, # 37877-16-918

Nationwide General Insurance Company # 23760-16-919

Harleysville Preferred Insurance Company # 35696-16-920

Nationwide Mutual Insurance Company # 23787-16-921

Harleysville Worcester Insurance Company # 26182-16-922

Titan Indemnity Company # 13242-16-923

In order to determine whether the Nationwide Companies were paying the PIP claims properly, the examiners requested that the companies provide the populations of all PIP paid claims during the period under review. Nationwide (NPCIC and NMIC) and Harleysville (HPIC and HWIC) paid claims were selected for review.

Nationwide PIP

Nationwide noted a total of 3,990 paid claims and a random sample of 108 PIP paid claims consisting of 3,374 medical bills was selected. The claims were reviewed for compliance with 18 *Del. Admin. C.* 902, 903, and 18 *Del. C.* § 2304.

The following exceptions were noted:

44 Exceptions - 21 *Del. C.* § 2118B Processing and payment of insurance benefits.

NMIC and NPCIC failed to provide documentation reflecting that payment was issued within 30 days of notification.

Recommendation: It is recommended that NMIC and NPCIC provide documentation that payment was issued within 30 days of notification as required by 21 *Del. C.* § 2118B.

Harleysville PIP

Harleysville noted a total of 109 paid claims and a random sample of 76 PIP paid claims consisting of 1,409 medical bills was selected. The claims were reviewed for compliance with 18 Del. Admin. C. 902, 903, and 18 *Del. C.* § 2304.

The following exceptions were noted:

50 Exceptions - 21 *Del. C.* § 2118B Processing and payment of insurance benefits.

HPIC and HWIC failed to either make payment or to provide an EOR within 30 days of notification.

Recommendation: It is recommended that HPIC and HWIC provide documentation that payment was issued within 30 days of notification as required by 21 *Del. C.* § 2118B.

CONCLUSION

As stated in the Scope of Examination section, the purpose of the examination was to determine compliance by the Company with Delaware insurance laws and regulations related to the private auto lines and homeowners

The recommendations made below identify corrective measures the Department finds necessary as a result of the exceptions noted in the Report. While a specific company may be mentioned in the recommendation, the recommendation should be considered by all the Nationwide Companies. Location in the Report is referenced in parenthesis.

1. It is recommended NPCIC improve their training program to ensure accurate information is relayed from NPCIC representatives to consumers as required by 18 *Del. C.* § 2304(2). (Complaint Handling)
2. It is recommended NPCIC ensure that the information received is properly notated as required by 18 *Del. C.* § 3904(a)2. (Terminations – Nationwide Companies Combined Auto)
3. It is recommended that NMIC and NPCIC provide a notice of cancellation to the insured as required by 18 *Del. C.* § 3905(a). (Terminations – Nationwide Companies Combined Auto)
4. It is recommended that HPIC provide a reason for cancellation to the insured as required by 18 *Del. C.* § 4122(b). (Terminations – Harleysville and Nationwide Mutual Insurance Company Homeowners)
5. It is recommended that HPIC, NPCIC, NGIC and NMFIC provide a reason for the inability to acknowledge a claim within 30 days as required by 18 *Del. Admin. C.* 902 § 1.2.1.5. (Nationwide Companies Combined Homeowner; Claims – Harleysville Auto; Claims – Harleysville Homeowner; Claims – Nationwide Homeowner CWP; Nationwide Combined Homeowner Denied Claims (CLASS))
6. It is recommended that HPIC, NMFIC and NPCIC make payment within 30 days of notification as required by 18 *Del. Admin. C.* 903 § 4.0. (Nationwide Companies Combined Homeowner; HPIC & NMIC Paid Homeowner)
7. It is recommended that HPIC provide a reason for the inability to make a claim within 30 days as required by 18 *Del. C.* § 2304(16)b. (Claims – Harleysville Auto)
8. It is recommended that HPIC contact the claimant or conduct a reasonable investigation as required by 18 *Del. C.* § 2304(16)d. (Claims – Harleysville Auto)

Delaware Market Conduct Examination
Nationwide Companies

9. It is recommended that HPIC acknowledge and respond within 15 working days as required by 18 *Del. Admin. C.* 902 § 1.2.1.2. (Claims – Harleysville Homeowner)
10. It is recommended that HPIC implement prompt investigation of claims within 10 working days as required by 18 *Del. Admin. C.* 902 § 1.2.1.3. (Claims – Harleysville Homeowner)
11. It is recommended that HPIC provide an explanation as to why a claim is closed without payment as required by 18 *Del. Admin. C.* 902 § 1.2.1.13. (Claims – Harleysville Homeowner)
12. It is recommended that HPIC affirm, deny, or provide a reason within a reasonable time as required by 18 *Del. C.* § 2304(16)e. (Claims – Harleysville Homeowner)
13. It is recommended that NPCIC provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for denial of a claim or for the offer of a compromise settlement as required by 18 *Del. C.* § 2304(16)n. (Nationwide Combined Homeowner Denied Claims (CLASS))
14. It is recommended that HPIC, HWIC, NMIC and NPCIC provide documentation that payment was issued within 30 days of notification as required by 21 *Del. C.* § 2118B. (Nationwide PIP; Harleysville PIP)

The examination conducted by Shelly Shuman, Joseph Krug, Jason Nemes, Gwen Douglas, Linda Armstrong, and James Hartsfield is respectfully submitted.



Joseph Krug, CPA, MCM, AFE
Examiner-in-Charge