



Office of the Chief Legal and Governance Officer

December 31, 2014

Geoffrey Cabin
Director, Property and Casualty Rates and Forms
Maryland Insurance Administration
200 St. Paul Place, Suite 2700
Baltimore, MD 21202

Subject: Bulletin 14-23 and Price Optimization

Dear Mr. Cabin:

This letter is in response to the Maryland Insurance Administration (the "Administration") Bulletin 14-23 under which the Administration determined that the use of price optimization, as defined under the Bulletin, results in rates that are unfairly discriminatory in violation of Section 27-212(e)(1) of the Maryland Insurance Article. The Bulletin directed insurers to file a corrective action plan with the Administration by January 1, 2015 describing the company's proposed corrective action and the target dates for making corrective rate filings and implementation of such filings.

Nationwide Mutual Insurance Company (NMIC), Nationwide General Insurance Company (NGIC), Nationwide Mutual Fire Insurance Company (NMFIC) and Nationwide Affinity Insurance Company of America (NAICOA) (collectively "Nationwide") advised the Administration under their responses to a market conduct survey on July 14, 2014 that the companies varied premiums based upon the likelihood that an applicant or policyholder would engage in activities that result in policy turnover, taking the broadest interpretation of that survey question as instructed by the Administration. However, Nationwide also advised in its survey response that its first consideration in setting base rates and rate factor changes was loss experience. Likewise, Nationwide advised that two applicants or policyholders with identical risk characteristics are never rated differently. The company evaluates loss and expense costs to segment its risks into classes based upon specific risk characteristics, and the resulting loss and expense cost relativities for these classes may be adjusted to reflect the class' likelihood to engage in activities that results in policy turnover.

As a result, Nationwide believes that its private passenger automobile rating plans comply with the requirements under Section 11-306 of the Maryland Insurance Article, that they not result in rates that are inadequate, excessive or unfairly discriminatory. Likewise, Nationwide submits that these rating plans are supported by adequate loss and expense experience and other relevant factors as contemplated under 11-307(c) of the Maryland Insurance Article. Therefore, Nationwide respectfully submits that the uniform and consistent application of these rating plans does not result in unfair discrimination in violation of Section 27-212(e)(1) and does not require the filing of a corrective action plan.



Office of the Chief Legal and Governance Officer

Nationwide likewise hereby clarifies that additional affiliate companies within its corporate group of companies utilize similar private passenger auto rating plans whereby premiums of risk classes are varied based upon the likelihood that an applicant or policyholder will engage in activities that may result in policy turnover. The Nationwide response to Bulletin 14-23 under this letter applies equally with regard to those additional legal entities.

If you have questions with regard to this response or require additional information, please call upon me at your convenience.

Very truly yours,

Robert J. Becker
Managing Counsel