

COMPANY PROFILE

Nationwide Mutual Insurance Company

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COMPANY OVERVIEW

Nationwide Mutual Insurance Company (Nationwide or 'the company') is a private insurance and financial services company. The company offers domestic property and casualty insurance, life insurance and retirement savings, asset management and strategic investments. It provides a range of insurance and financial services for car, motorcycle, boat, homeowners, pet, farm, life, and commercial insurance, as well as administrative services, annuities, mortgages, mutual funds, pensions, long-term savings plans, and specialty health services. The company's banking products and services include student loans, checking accounts, certificate of deposits, mobile banking, online banking, and individual retirement account (IRA). Nationwide is headquartered in Columbus, Ohio, the US.

KEY FACTS

Head Office	Nationwide Mutual Insurance Company One Nationwide Plaza Columbus Ohio Columbus Ohio USA
Phone	1 614 2497111
Fax	1 614 2497705
Web Address	www.nationwide.com
Revenue / turnover (USD Mn)	27,502.0
Financial Year End	December
Employees	
Ticker	

SWOT ANALYSIS

Nationwide Mutual Insurance Company (Nationwide or 'the company') is a private mutual insurance company in the US. Awards and recognition, diversified investment portfolio and continued and growing customer interest are the company's major strengths, whereas geographical concentration remains the cause for concern. Ageing population in the US, positive prospects of the US non-life insurance and strategic acquisition are likely to offer growth opportunities to the company. However, mounting insurance frauds, intense competition and regulatory changes could affect its business operations.

<p>Strength</p> <p>Continued and growing customer interest Diversified investment portfolio Awards and recognition</p>	<p>Weakness</p> <p>Geographical concentration</p>
<p>Opportunity</p> <p>Ageing population in the US Strategic acquisition Positive prospects of the US non-life insurance</p>	<p>Threat</p> <p>Regulatory changes Mounting insurance frauds Intense competition</p>

Strength

Continued and growing customer interest

Nationwide's financial position is strong and stable by several metrics. Policyholders' equity increased to nearly US\$22.4 billion in FY2017, as compared to US\$21.8 billion in FY2016. Statutory surplus, the primary measure of financial strength and claims-paying ability evaluated by regulators and rating agencies was US\$14.7 billion in FY2017, which was more than the amount required by regulators to cover Nationwide's obligations to its customers. Continued and growing customer interest would increase the financial strength of the company.

Diversified investment portfolio

The company has diversified investment portfolio. In FY2017, the total investments of the company increased by 8.2% to US\$104,540 million from US\$96,599 million in FY2016. Fixed-maturity securities accounted for 72% of the total investment in FY2017, followed by mortgage loans (15%), short-term investments (3%), real estate (1%) and other investments (9%). The company's net investment income grew by 14.7% to US\$3,904 million in FY2017 from US\$3,397 million in FY2016. The growth in net investment income was due to increase fixed maturity income.

Awards and recognition

Nationwide received a number of awards and recognition for its service quality that have boosted the company's image. In June 2018, the company was ranked number one in the J.D. Power 2018 Group Retirement Plan Satisfaction Study. In February 2018, the company was ranked as the number-one writer of corporate life by IBIS Associates Inc. In January 2018, the company won the wins 2018 Catalyst Award for its strong culture of inclusion and commitment to its associates, members and communities. In March 2017, the company was named to Fortune's "100 Best Companies to Work For" list. Also in 2017, the company was ranked number one based on number of plans and eighth largest provider of defined contribution plans by Plan Sponsor Recordkeeping Survey. Such recognition assists the company in attracting a diversified customer base, talent pool and also provides competitive edge over its peers.

Weakness

Geographical concentration

The company's operations are concentrated in the US. This increases the risk of negative financial impact due to events that affect the US economy. The concentration of operations in the US not only increases its exposure to local factors but also deprives the company of higher revenues from high growth emerging markets in Asia and other Latin American countries. Therefore, lack of international presence in high growth markets puts the company at geographic disadvantage. Moreover, this lack of presence in emerging regions may eventually cause Nationwide to be at a competitive disadvantage against rivals with growing operations in fast growing economies.

Opportunity

Ageing population in the US

The aging population in the US is expected to increase further in the coming years. Rapidly aging US population and the resultant increase in healthcare spending will provide significant growth opportunities for Nationwide. The population across the US is aging rapidly, as a result of declining fertility and increasing longevity. According to the US Census Bureau, by the year 2060, the number of elderly is expected to climb to 98.2 million of the total population. Due to the increasing life expectancy of the Americans, the number of people aged 85 years and older is also expected to increase to 19.7 million by the year 2060. The increase in life expectancy of the Americans will create additional demand for healthcare services and, more importantly, demand for health insurance. As Nationwide focuses on providing insurance and financial services, it could benefit from growing aging population in the US.

Strategic acquisition

Strategic acquisition provides significant growth opportunities to the company. In March 2017, Nationwide acquired Jefferson National, a distributor of tax-advantaged investing solutions for registered investment advisors (RIAs), fee-based advisors and the clients they serve. Jefferson National provides greater efficiency, transparency and choice through an adaptable technology platform, award-winning distribution strategy and cost-effective servicing capabilities. The acquisition enhances the company's ability to serve more partners and members. It also provides an opportunity to leverage Nationwide's financial strength

and ratings, and offer a far greater range of value-added products and services along the way.

Positive prospects of the US non-life insurance

The US non-life insurance market has experienced steady growth in the recent years. According to in-house research, the US non-life insurance market grew by 3.9% in 2016 to reach a value of US\$793.5 billion. Motor was the largest segment of the non-life insurance market in the US, which accounted for 38.7% of the market's total value in 2016. The US accounted for 38.8% of the global non-life insurance market value. The US non-life insurance market is forecast to grow at a CAGR of 2.4% during 2016-2021 to reach a value of US\$891.7 billion by 2022. Nationwide provides various insurance products and services to different industries and thus can benefit from the positive outlook of the US non-life insurance market.

Threat

Regulatory changes

Insurance industry in the US and elsewhere, like other sectors in financial services industry, is undergoing significant regulatory changes. For instance, The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), among other things, established a Federal Insurance Office (FIO) within the US Treasury. Under this law, regulations will need to be created for the FIO to carry out its mandate to focus on systemic risk oversight. The FIO is required to gather information regarding the insurance industry and submit to Congress a plan to modernize and improve insurance regulation in the US. Further, new regulatory initiatives proposed to limit or eliminate the use of captive reinsurers, the DOL's proposed fiduciary rule, and the NAIC's proposed principles based reserving approach could affect the company's capital requirements, consolidated results of operations and financial condition. These regulatory changes could have significant impact on regulatory compliance spending, and the way statutory capital and reserves are calculated. Consequently, the company's financial strength and performance could be affected.

Mounting insurance frauds

The property and casualty insurance frauds along with health care frauds together on an average cost the US insurance industry an estimated USD120 billion each year, and the numbers have been showing a rising trend. These costs are further recouped from customers. The companies across the world have not been able to sort out the problem of exaggerated claims and other kinds of insurance frauds, which in turn are adding on to cost inflation for the ordinary policy holders. Considering Nationwide's scale of operations in property and casualty, increasing trend in insurance frauds could increase its claim losses and may pull down its profit margins going forward.

Intense competition

The US financial services market, being one of the most matured markets worldwide, is characterized by intense competition in all fields. Especially, the market for life insurance, retirement and investment products continues to be highly fragmented and competitive. Further, the competitive pressure in the

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insurance market is growing due to several factors, which include cross marketing alliances between unaffiliated businesses, as well as consolidation activity in the whole financial services industry. The company is already facing the consequences of increased competition in terms of lower revenue growth as compared to its competitors. Owing to increasing competition in the market, the company could witness decline in its revenue and profit margins.

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