

**REPORT OF EXAMINATION**  
**OF THE**  
**NATIONWIDE LIFE INSURANCE COMPANY**  
**OF DELAWARE**  
**AS OF**  
**DECEMBER 31, 2006**

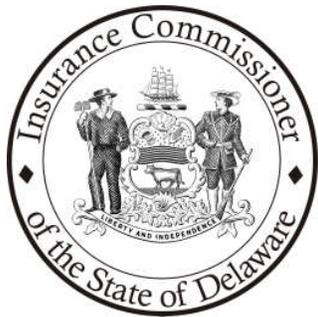
I, Matthew Denn, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of DECEMBER 31, 2006 of the

**NATIONWIDE LIFE INSURANCE COMPANY OF DELAWARE**

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

ATTEST BY: Antoinette Handy

DATE: 26 JUNE 2008



In Witness Whereof, I HAVE HEREUNTO SET MY HAND AND AFFIXED THE OFFICIAL SEAL OF THIS DEPARTMENT AT THE CITY OF DOVER, THIS 26TH DAY OF JUNE 2008.

Matthew Denn  
Insurance Commissioner

**REPORT ON EXAMINATION**  
OF THE  
**NATIONWIDE LIFE INSURANCE COMPANY OF DELAWARE**  
AS OF  
**December 31, 2006**

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

Consideration has duly been 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.

A handwritten signature in black ink, appearing to read "Matt Denn", written in a cursive style.

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MATTHEW DENN  
INSURANCE COMMISSIONER

DATED this 26TH Day of JUNE 2008.

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**SALUTATION**

May 16, 2008

Honorable Matthew Denn  
Commissioner of Insurance  
State of Delaware, Insurance Department  
841 Silver Lake Boulevard  
Dover, DE 19904

Dear Commissioner:

In accordance with your instructions and pursuant to statutory provisions contained in Certificate of Authority No. 07.020, an examination was made of the affairs and financial condition of:

**NATIONWIDE LIFE INSURANCE COMPANY OF DELAWARE**

a Delaware domiciled stock life insurance company hereinafter referred to as the "Company" or NLICD. The examination was conducted at the main administrative offices at One Nationwide Plaza, Columbus, Ohio.

An examination report thereon is hereby respectfully submitted.

## **SCOPE OF EXAMINATION**

The Company was last examined as of December 31, 2004. Pursuant to the guidelines of the National Association of Insurance Commissioner's (NAIC) *Financial Condition Examiners Handbook* (FCEH), this examination followed the lead state approach to exam coordination. As such, the Ohio Department of Insurance was designated as the lead state and was responsible for coordinating the timing, scope and extent of examination procedures, as well as the utilization of specialists, and the allocation of work among examiners. The result of this approach is that this examination covered the two-year period from January 1, 2005 through December 31, 2006.

The examination consisted of a general survey of the Company's business policies and practices, management, any corporate matters incident thereto, a verification and evaluation of assets and a determination of liabilities as of December 31, 2006. Transactions subsequent to the latter date were reviewed where deemed necessary.

The format of this report is designed to explain the procedures employed on examination and the text will explain changes wherever made. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such matters, these issues were thoroughly discussed with responsible officials during the course of the examination. The general procedure of the examination followed the rules established by the Committee of Financial Examiners Handbook, NAIC. Statements of Statutory Accounting Principles contained in the NAIC Accounting Practices and Procedures Manual as of March 2007 guided the conclusions reached. Work programs employed in the performance of this examination were designed to comply with the standards promulgated by the Delaware Insurance Department (Department) and the NAIC.

In addition to items hereinafter incorporated as part of the written report, the following were checked and made part of the workpapers of this examination:

- Corporate Records
- Officers, Employees & Agents Welfare
- Fidelity Bonds and Other Insurance
- Legal Actions
- NAIC Ratios

The other Nationwide Group life insurance companies in scope for this examination, or being examined concurrently, are as follows:

<u>Company</u>	<u>Reference name</u>	<u>Domicile</u>
Nationwide Life Insurance Company	NLIC	OH
Nationwide Life and Annuity Insurance Company	NLAIC	OH
Nationwide Life Insurance Company of America	NLICA	PA
Nationwide Life Insurance Company of Delaware	NLICD	DE
Nationwide Life and Annuity Company of America	NLACA	DE

### **HISTORY**

The Company was incorporated in the state of Delaware on August 16, 1989 as the Continental American Life Insurance Company of Delaware. On January 31, 1993 the parent company, Continental American Life Insurance Company was merged into Provident Mutual Life Insurance Company.

The Company is organized as a stock life insurance company operating under the laws of the State of Delaware. The Company is a wholly owned subsidiary of Nationwide Life Insurance Company of America (NLICA). On October 1, 2002, pursuant to a sponsored demutualization, NLICA became a wholly owned subsidiary of Nationwide Financial Services,

Inc. (NFS). Prior to the sponsored demutualization, NLICA was known as Provident Mutual Life Insurance Company, and NLICD was known as Provident Mutual International Life Insurance Company.

The Company's business consists solely of life insurance assumed from NLICA. This particular block of business is no longer marketed by NLICA.

The Company's business practices have been limited in scope in the last few years. In 2006 and 2005, the Company continued to limit its activities to the reinsurance of a block of life insurance business from NLICA. The Company has no direct insurance in-force.

### **CAPITALIZATION**

The Company has 25,000 shares of authorized common stock, 6,000 shares issued and outstanding with a par value of \$100 per share. As of December 31, 2006, the Company's common stock totaled \$600,000 and Gross paid in and contributed surplus of \$600,000.

The following changes occurred in the capital and surplus account since the previous examination as reported in the Company's annual statements:

	Common Capital <u>Stock</u>	Gross Paid in and Contributed <u>Surplus</u>	Unassigned <u>Funds</u>	<u>Total</u>
December 31, 2004	<u>\$600,000</u>	<u>\$600,000</u>	<u>\$1,709,974</u>	<u>\$2,909,974</u>
Net income			192,735	192,735
Change in asset valuation reserve	_____	_____	<u>1,490</u>	<u>1,490</u>
Change during the period	_____	_____	<u>194,225</u>	<u>194,225</u>
December 31, 2006	<u>\$600,000</u>	<u>\$600,000</u>	<u>\$1,904,199</u>	<u>\$3,104,199</u>

## **DIVIDENDS TO STOCKHOLDERS**

There were no dividends paid to the stockholders during the period of examination.

## **MANAGEMENT AND CONTROL**

The bylaws require the Board of Directors to consist of not less than three and not more than eleven members. The Company's Board of Directors consisted of the following members at December 31, 2006.

<b><u>Name</u></b>	<b><u>Principal Occupation</u></b>
John Laughlin Carter	Senior Vice President, Non Affiliated Sales, Nationwide Financial Services
Timothy Gerard Frommeyer	Senior Vice President and Assistant Treasurer, NLICD and NLACA
William Gerald Jurgensen	Chief Executive Officer, NLICD and NLACA
Mark Raymond Thresher	President and Chief Operating Officer, Nationwide Financial Services
Robert Allen Rosholt	Executive Vice President and Chief Investment Officer, NLICD and NLACA
Peter Anthony Golato	President, NLICD and NLACA
Robert Clay Thompson	Vice President, NFS, NLICD and NLACA

The following officers had been elected by the Board of Directors and were serving at December 31, 2006:

<b><u>Name</u></b>	<b><u>Title</u></b>
Peter Anthony Golato	President
William Gerald Jurgensen	Chief Executive Officer
Patricia Ruth Hatler	Executive Vice President ,Chief Legal and Governance Officer
Terri Lynn Hill	Executive Vice President
Robert Allen Rosholt	Executive Vice President and Chief Investment Officer
James David Benson	Senior Vice President and Treasurer
Timothy Gerard Frommeyer	Senior Vice President and Assistant Treasurer
Gail G. Snyder	Senior Vice President
Denise M. Sortino	Senior Vice President, Information Technology
JoAnn McGoldrick	Associate Vice President and Secretary

The Company provided the examiners with a code of conduct statement, a formal conflict of interest policy and conflict of interest statements for review. The conflict of interest policy sets forth the ethical duties and responsibilities of the Board of Directors, officers, and employees to the Company. All directors and officers are required to sign conflict of interest statements annually.

### **INSURANCE HOLDING COMPANY SYSTEM**

The Company is a member of a holding company system as defined in 18 Del. C § 5001. The following displays the chain of ownership of NLICD as of December 31, 2006:

Nationwide Mutual Insurance Company  
    Nationwide Corporation  
        Nationwide Financial Services, Inc.  
            Nationwide Life Insurance Company of America  
                Nationwide Life and Annuity Company of America  
                    **Nationwide Life Insurance Company of Delaware**  
                        Nationwide Provident Holding Company

### **INTERCOMPANY AGREEMENTS**

#### **Cost Sharing Agreement**

The Company entered into a cost sharing agreement with Nationwide Mutual Insurance Company and other various affiliates as of July 1, 2002. Although the stated effective date was July 1, 2002, the agreement did not become legally effective, as it applies to the Company, until the Delaware Insurance Department approved it, with an effective date of October 1, 2002. Among the services provided to the Company under the cost sharing agreement are operational services (which include advertising, underwriting, policy processing, claims adjustment and administration, data processing, accounting, actuarial, and other necessary services), and administrative services (which include payroll and benefits processing, investment management,

legal administration, human resources, financial reporting, and other necessary administrative services).

The terms for the allocation of costs for services provided under this agreement appear to be equitable. The agreement calls for the costs associated with services provided to the Company to be allocated based on standard allocation techniques and procedures. Settlement of invoices associated with services provided is required within 90 days following the receipt of invoices from the Company providers.

### **Tax Sharing Agreement**

Effective October 1, 2002, NLICA, NLICD, and Nationwide Life and Annuity Company of America agreed to file consolidated federal income tax returns along with combined state, local income or franchise tax returns. The terms of the agreement appear to be fair and equitable and the agreement provides that the Company's tax liability is to be determined on a separate company basis as if the Company was filing its own return.

### **REINSURANCE**

The Company assumes, on a quota share basis, 25% of a block of nonparticipating in-force group rated benefit life insurance policies underwritten by the parent, Nationwide Life Insurance Company of America. No substantive changes to the terms and conditions of the agreement occurred during the period under review. Total premiums assumed for the years 2005 and 2006 were \$86,094 and \$74,746, respectively. The Company had no reinsurance ceded.

**TERRITORY AND PLAN OF OPERATION**

The Company is licensed to write Life (including Annuities) and Accident and Health insurance in the states of Delaware, North Dakota, Oregon, and South Dakota. The Company does not write any direct premiums. The only business that the Company has is assumed reinsurance from Nationwide Life Insurance Company of America. See the Reinsurance section for additional details regarding this agreement.

**GROWTH OF COMPANY**

The following information is taken from the Company's filed Annual Statements:

<u>Year</u>	<u>Admitted Assets</u>	<u>Capital and Surplus</u>	<u>Premium Income</u>	<u>Net Income</u>
2004	\$4,244,007	\$2,909,974	\$91,439	\$ 69,699
2005	4,240,289	3,000,737	86,094	89,272
2006	4,291,381	3,104,199	74,746	103,463

The block of business being assumed from Nationwide Life Insurance Company of America decreased every year during the current examination as it did during the prior examination time frame, because the business they are assuming is no longer being marketed.

**ACCOUNTS AND RECORDS**

The Company's accounting records were reviewed for the period under examination. No exceptions or errors were noted. The Company's accounts and records consist of electronic data processing systems and manual accounting records. The Company's electronic data processing systems were tested by the Ohio Department of Insurance. No major exceptions, errors or problems were noted by the Ohio Department of Insurance regarding the Company's accounts and records.

The Company's December 31, 2005 and 2006 statutory financial statements were audited by KPMG. The audited statutory financial statements were reviewed for all years under examination and it was noted that the CPA firm issued unqualified opinions for each year under review. Workpapers from the 2005 and 2006 audit files were utilized to the fullest extent possible.

### **FINANCIAL STATEMENTS**

The financial condition of the Company as of December 31, 2006, and the results of its operations for the period under examination are reflected in the following statements:

Statement of Assets  
Liabilities Surplus and Other Funds  
Summary of Operations  
Capital and Surplus Account

It should be noted that the various schedules and exhibits may not add to the total shown due to rounding.

#### **Statement of Assets**

	<u>Assets</u>	Nonadmitted <u>Assets</u>	Net Admitted <u>Assets</u>	<u>Notes</u>
Bonds	\$ 409,560		\$ 409,560	1
Cash and short-term investments	<u>3,857,596</u>		<u>3,857,596</u>	
Subtotals, cash and invested assets	\$4,267,156		\$4,267,156	
Investment income due and accrued	23,032		23,032	
Uncollected premiums and agents' balances in the course of collection (premiums and considerations)	<u>1,193</u>		<u>1,193</u>	
Total Assets	<u>\$4,291,381</u>		<u>\$4,291,381</u>	

**Liabilities, Surplus and Other Funds**

		<u>Notes</u>
Aggregate reserve for life contracts	\$1,056,249	2
Life (contract claims)	33,283	
Other amounts payable on reinsurance	1,515	
Commissions and expense allowances payable on reinsurance assumed	175	
Current federal and foreign income taxes	79,310	
Payable to parent, subsidiaries and affiliates	<u>16,650</u>	
Total liabilities	<u>\$1,187,182</u>	
Common capital stock	<u>\$ 600,000</u>	
Gross paid in and contributed surplus	600,000	
Unassigned funds (surplus)	<u>1,904,199</u>	
Surplus	<u>\$2,504,199</u>	
Totals of common and preferred stock and surplus	<u>\$3,104,199</u>	
Totals of liabilities, common and preferred stock and surplus	<u>\$4,291,381</u>	

**Summary of Operations**

Premiums and annuity considerations for life and accident and health contracts	\$ 74,746
Net investment income	<u>207,086</u>
Totals	<u>\$281,832</u>
Death benefits	\$132,165
Surrender benefits and withdrawals for life contracts	31,013
Interest and adjustments on contract or deposit-type contract funds	1,160
Increase in aggregate reserves for life and accident and health contracts	<u>(81,134)</u>
Totals	\$ 83,204
Commissions and expense allowances on reinsurance assumed	7,704
General insurance expenses	20,666
Insurance taxes, licenses and fees, excluding federal income taxes	<u>12,072</u>
Totals	<u>\$123,646</u>
Net gain from operations before federal income taxes	\$158,186
Federal and foreign income taxes incurred (excluding tax on capital gains)	<u>54,723</u>
Net income	<u>\$103,463</u>

**Capital and Surplus Account**

Capital and surplus, December 31, prior year	<u>\$3,000,737</u>
Net income	\$ 103,463
Change in asset valuation reserve	<u>(1)</u>
Net change in capital and surplus for the year	<u>\$ 103,462</u>
Capital and surplus, December 31, current year	<u>\$3,104,199</u>

**SCHEDULE OF EXAMINATION CHANGES**

No financial adjustments were made to this examination report.

## **NOTES TO FINANCIAL STATEMENTS**

### **Note 1 - Bonds**

**\$409,560**

The admitted value of bonds was \$409,560 and makes up 9.5% of the Company's total assets. Bonds consist mainly of a single US Treasury Note, which represents 99.1% of total bonds. Cash, Cash Equivalents and Short-Term Investments comprised 89.9% of the Company's assets.

### **Note 2 - Aggregate Reserve for Life Contracts**

**\$1,056,248**

The above reserve of \$1,056,248 was held for a closed block of graded death benefit group whole life insurance policies assumed from the parent, Nationwide Life Insurance Company of America (NLACA). The consulting actuary for the Ohio Department of Insurance reviewed the gross reserves for NLACA and a report thereon was provided to the Delaware Department of Insurance's consulting actuary, INS Consultants, Inc. (INS) for their review. Based upon their review, the Company's aggregate reserves as stated above are accepted for the examination.

## **STATUS OF PRIOR EXAMINATION RECOMMENDATIONS**

The prior examination report as of December 31, 2004 contained one recommendation.

That finding with its current status is as follows:

It is recommended that the Company's Board of Directors review and approve the independent CPA audit report and the actuarial opinion each year at its annual meeting.

*The Company has complied with this recommendation.*

## **RECOMMENDATIONS**

There were no recommendations as a result of this examination.

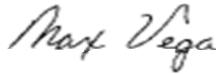
**CONCLUSION**

The following schedule shows the changes from the previous examination.

<u>Description</u>	<u>December 31, 2004</u>	<u>December 31, 2006</u>	<u>Increase/ (Decrease)</u>
Assets	<u>\$4,244,007</u>	<u>\$4,291,381</u>	<u>\$ 47,374</u>
Liabilities	\$1,334,033	\$1,187,182	\$(146,851)
Capital and Surplus	<u>2,909,974</u>	<u>3,104,199</u>	<u>194,225</u>
Total liabilities and Surplus	<u>\$4,244,007</u>	<u>\$4,291,381</u>	<u>\$ 47,374</u>

The examiner would like to extend his thanks to the Company employees. In addition to the undersigned, Frank Podrabarac of INS Consultants, Inc. participated in this examination.

Respectfully submitted,



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Max P. Vega, CFE, AIE  
Examiner in Charge  
State of Delaware  
Northeastern Zone, NAIC