2017 Annual Outlook

E&S/Specialty

E&S Contract  |  E&S Brokerage  |  Nationwide Private Client

Management Liability and Specialty  |  Nationwide Pet  |  Nationwide Innovative Solutions
A LETTER FROM OUR PRESIDENT

Nationwide’s E&S/Specialty team is always reaching higher as a leader in the excess and surplus and specialty lines marketplace.

We leverage unmatched products, expertise and distribution to provide insurance solutions not available to the standard markets. And as part of a Fortune 100 company, backed by $209.8 billion in total assets and A+ ratings from A.M. Best and Standard & Poor’s, we have the financial strength to keep our promise when a loss occurs.

On the E&S/Specialty team, we are passionate about maximizing value in everything we do. We have an unwavering focus on generating capital, which allows us to diversify and grow. Using this approach, we deliver strong returns and ensure stability regardless of market cycles. This gives us the capacity to offer our distribution partners — the best in the nation — the breadth of products and services they want and need.

Our associates are among the top talent in the excess and surplus and specialty lines industry, and the relationships they build with our general agents, brokers and program managers are what set us apart from our competitors. Partnership, innovation and collaboration are, and will continue to be, the keys to our success. And as we deliver tools that make working with us faster and easier, we also know automation will never replace the relationships that are the foundation of our business.

At Nationwide, we measure results by premiums and profitability — and one thing more. We believe it’s important to make a difference. The E&S/Specialty operation strengthens the economy by providing insurance our policyholders can’t get anywhere else, and we help people move forward by keeping our promises in the claims process. We make a difference to our distribution partners by being committed to their success. And for our associates, we provide a dynamic and positive work environment that fosters their development and invests in their communities and charitable organizations.

In an industry where other carriers move in and out of the surplus lines market, we are the one you can rely on. We’re steadfast. We’re strong. And we’re always reaching higher.

Reaching Higher

Tom Clark,
President
Nationwide E&S/Specialty
Diversification drives success

Because we have an impressive breadth of products and a diverse book of business, you get more: more opportunities, more efficiencies and ultimately, more revenue.

Since our inception 35 years ago, we have significantly diversified our book to maximize stability and profitability. Today the E&S/Specialty organization integrates six unique segments writing more than $3.6 billion in premium, making us the third-largest E&S carrier domestically, and the leading pet insurer in the country.

With more than 1,800 associates, we are the sixth-largest employer in Scottsdale and have associates in hubs such as New York, Chicago, Atlanta, San Francisco and Minneapolis.

E&S Contract
Our Contract/Binding Authority book accounts for the majority of our premium. This is the core of our business, built on small to medium property and casualty, personal lines and commercial auto accounts.

Our commitment to the wholesale distribution system has led to strong partnerships. Guided by our Agents’ Advisory Board, we seek to incorporate the voice of our customer — our distribution partners — into everything we do. This includes technology, products and processes. Our underwriting team boasts top talent in the excess and surplus industry; their expertise and strong relationships continue to set us apart from our competitors.

Within the E&S Contract book, top classes include Apartments, Artisan Contractors, Condominium/HOA, Dwelling Fire, Excess/ Umbrella, Inland Marine and Excess Liability.

E&S Brokerage
Our Brokerage team writes medium to large accounts, and goes to market in two distinct ways:

- Individual Risk — focuses on unique and high-capacity risks submitted by a limited number of wholesale brokers
- Programs — manages non-admitted and admitted niche business written through specialized program managers

With a team approach, a well-defined risk appetite, and the support of our Brokers’ Advisory Board, we are well-positioned for the future. Product examples include general contracts, large special events, large real estate owners, sports, leisure and energy.
Nationwide Private Client

Private Client specializes in property and casualty insurance for affluent clients. Launched in 2013, Private Client has continued to expand its national footprint, providing easily managed policies with flexible coverages and comprehensive protection for substantial assets. Its distribution channel includes independent agents and brokers that have demonstrated expertise in the affluent space.

Management Liability and Specialty (MLS)

The Management Liability and Specialty (MLS) area at Nationwide offers coverages through its specialty brokerage and programs teams. This is a growth area for the organization, and we seek to expand it significantly over the next few years.

• Specialty Brokerage — partners with MGAs and national brokerage houses to offer a comprehensive suite of management liability solutions, including Public and Private Company D&O, Financial Institutions D&O, Professional Liability, Employment Practices Liability, Commercial and Contract Surety and Cyber Liability

• Programs — works with specialized program managers to develop strategic professional liability products, such as small private company (for-profit and nonprofit) D&O, employment practices liability and related lines, as well as professional liability for lawyers, accountants, architects and engineers

Nationwide Innovative Solutions (NIS)

NIS delivers a broad range of specialty products across three market segments:

• General liability and amateur sports accident for specialty groups
• Employee benefits, medical stop/loss, limited medical and supplemental health for employers
• Travel insurance, legal insurance and association dental and vision for individuals

Nationwide Pet

More than 30 years ago, Nationwide Pet (formerly Veterinary Pet Insurance) pioneered an innovative product for America’s pet lovers: medical insurance for companion animals with the intention of helping owners of dogs, cats, avians and exotic pets afford the best possible veterinary care. Today, as the top pet insurer in the United States, Nationwide Pet provides insurance for accidents and illnesses, as well as preventative care.

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In 2016 the E&S/Specialty unit delivered $3.6 billion in premium as well as strong net operating income, despite soft market conditions in many pockets of our business.

We continually manage our book by working with our distribution partners to set expectations and define our risk appetite; we also take underwriting and rate actions where needed. This ultimately translates into capital strength. The more capital we generate, the more we invest and the greater the opportunities we can offer.

2016 E&S/Specialty premium breakdown

- Private Client: $192M (9%)
- Pet: $32M (5%)
- Nationwide Innovative Solutions: $58M (11%)
- E&S Brokerage: Individual Risk: $250M (11%)
- E&S Brokerage: Programs: $377M (13%)
- HLS Specialty Brokerage: $188M (5%)
- HLS Programs: $462M (13%)

Note: Net premium reflects Net Earned Premium, while all other areas reflects Direct Written Premium

#1 total small business insurer

3rd in domestic excess and surplus lines insurance

#1 writer of farm and ranch

7th in commercial lines insurance

#1 pet insurer

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Building the future

As we look ahead, the E&S/Specialty team seeks to deliver strong results by enhancing technology, investing in new growth opportunities and attracting and retaining top talent.

Building technology

Technology is critical to our success and to our partners’ success as well. Our philosophy is to develop these systems in collaboration with our customers to ensure that their voice is present in all that we do. And we will continue to do so as we progress with the following technical initiatives:

• Continue the build-out of our Contract P&C policy issuance tool
• Add GL ISO rates to ExpressConnect in November, followed by Property ISO in January 2018; this will strengthen usage of the solution, which in the first seven months led to more than 60,000 quotes and a 30% bind ratio
• Enhance our transportation and personal lines systems
• Deliver systems for our Private Client and Management Liability and Specialty businesses

Leveraging products and services

We are launching several initiatives to create more value through a “One Nationwide” approach. Whether increasing access to professional liability products in partnership with one of our MGAs, E-Risk Services, or providing “hot leads” based on standard lines declinations, our goal is to help our producers maximize all that Nationwide has to offer.

Attracting and retaining talent

We believe that people make the company. And in the next 10 years, an estimated 1 million insurance professionals are going to retire. We are preparing for this shift by creating a robust strategy to attract and retain talent, which includes increasing developmental opportunities and internships and implementing stronger succession planning and knowledge transfer, while maintaining the positive, value-driven environment for which we are known.

Investing in the Scottsdale/Phoenix community

At Nationwide, we strongly believe in being good corporate citizens in the communities where we work and live. Our Corporate Citizenship programs help transform lives in three focused ways: philanthropy, volunteerism and workplace giving. Using our time, energy, and personal donations, we make a difference that is widespread, deliberate and above all, delivered at the most critical moments.

$200,250 in corporate sponsorships
$82,500 in other corporate contributions
14 leaders serving on boards
45 volunteer grants awarded
9,427 volunteer hours recorded
$462,411 pledged to United Way
67,905 meals raised for hunger relief
667 units of blood donated

Going forward and reaching higher

The outlook for the E&S/Specialty team is better than ever. We are driven to take our business to the next level and be the best partner to our long-term, loyal customers. We believe in our partners’ expertise and commitment. We believe in the talent and dedication of our own team. And most of all, we believe in our future together — one that is prosperous, rewarding and poised to soar to exciting new heights.