Fitch Downgrades Nationwide Mutual to “A”

By Editor Test *Wed, Jul 8, 2009*

VA writers like Nationwide continue to be under pressure from the decline in equity market values, which have required additional general account reserves to cover guarantees, Fitch said.

Nationwide Mutual Insurance Company’s strength rating has been downgraded to ‘A’ from ‘A+’ by Fitch Ratings. The rating also affects the company’s affiliates and Nationwide Life Insurance Company and Nationwide Life Insurance Company of America.

Fitch also downgraded the ratings on Nationwide Mutual’s outstanding surplus notes to ‘BBB+’ from ‘A-‘, and the rating on the senior unsecured debt of Nationwide Financial Services, Inc. to ‘BBB’ from ‘BBB+’. The rating outlook remained negative.

The rating action primarily reflects a consolidated risk-adjusted capital position, as estimated by Fitch as of March 31, 2009, that falls below prior ratings expectations. The decline in capital in part reflects the privatization of the life insurance subsidiaries early this year, which was previously reflected in Fitch’s ratings.

Among other explanations for the downgrade, Fitch said that Nationwide Financial Services “will continue to experience pressure on operating earnings in 2009, driven by lower investment income and lower asset-based fee income.

“Further, variable annuity writers such as Nationwide Life Insurance and Nationwide Life Insurance Company of America continue to be under considerable pressure as the decline in equity market values over the past year has required additional general account reserves to cover guarantees attached to the variable annuities the companies have sold.

“While Fitch acknowledges that the organization has economic hedging programs in place to reduce its exposure to these policy guarantees, some exposure remains.”

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