


**STATE OF RHODE ISLAND  
DEPARTMENT OF BUSINESS REGULATION  
INSURANCE DIVISION**

The attached Report of Examination as of December 31, 1994, of the condition and affairs of Allstate Insurance Company and Allstate Indemnity Company was recently completed by duly qualified examiners, pursuant to Chapters 13 and 13 1 of the Rhode Island Insurance Code.

Due consideration has been given to the comments of the examiners regarding the operation of the Companies and their market conduct condition, as reflected from the report. Due consideration has also been given to Allstate's response to the examination report findings and recommendations.

It is therefore ORDERED that said Report be, and it is hereby, adopted and filed and made an official record of this department as of this date.

DEPARTMENT OF BUSINESS REGULATION

  
\_\_\_\_\_  
Barry G Hittner  
Director/Insurance Commissioner

ORDER NO. 96-046

DATED: 7/25/96

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
DEPARTMENT OF BUSINESS REGULATION  
DIVISION OF INSURANCE  
233 RICHMOND STREET  
PROVIDENCE, RHODE ISLAND 02903-4233**

**CONSENT ORDER**

**IN RE:**

Allstate Insurance Company  
Allstate Indemnity Company

It is hereby stipulated and agreed by Barry G. Hittner, Director of the Rhode Island Department of Business Regulation (the "Department"), and Allstate Insurance Company and Allstate Indemnity Company, hereinafter together referred to as "Allstate," as follows:

**WHEREAS**, Barry G. Hittner is the Director of the Department (the "Director") which is charged with administering and enforcing all laws in relation to insurance and insurance companies doing business in the State of Rhode Island, and

**WHEREAS**, Allstate has been granted certificates of authority (together the "Certificate of Authority") to transact the business of insurance in the State of Rhode Island, and

**WHEREAS**, Allstate is subject to the jurisdiction of the Department by virtue of its licenses to conduct insurance in the State of Rhode Island, and by the actual transaction of insurance business in the State of Rhode Island, and

**WHEREAS**, the Director conducted a market conduct examination of Allstate; and

**WHEREAS**, the report on market conduct examination of Allstate has revealed that.

1) Allstate could not provide twenty (20) of the one hundred and thirty (130) homeowner application files selected for examination by the Rhode Island Insurance Division, representing fifteen percent (15%) of the files requested for this area of review. Section 27-44-5(f)(4) (Rate Standards) of the General Laws of Rhode Island requires that each insurance company maintain reasonable records of the information collected or used by it in developing the premium charged for any risk, so that records will be available to enable the Director of the Rhode Island Department of Business Regulation to verify compliance with Section 27-44-5

2) Allstate could not provide thirty-eight (38) of the one hundred and thirty (130) personal automobile application files selected for examination by the Rhode Island Insurance Division, representing twenty-nine percent (29%) of the files requested for this area of review. In addition, two (2) personal automobile files provided by Allstate did not contain sufficient evidence to properly test Allstate's underwriting and rating of the policy. Section 27-44-5(f)(4) (Rate Standards) of the General Laws of Rhode Island requires that each insurance company maintain reasonable records of the information collected or used by it in

developing the premium charged for any risk, so that records will be available to enable the Director of the Rhode Island Department of Business Regulation to verify compliance with Section 27-44-5.

3) Allstate violated Section 31-47-4 (Notice of Termination) of the General Laws of Rhode Island, due to its failure to include the required statement regarding maintaining financial responsibility in twelve point type, on seven (7) of eighty-five (85) personal automobile cancellation notices reviewed and on two (2) of the eight (8) personal automobile nonrenewal notices reviewed.

4) Allstate violated Section 27-8-12 (Subrogation) of the General Laws of Rhode Island when it failed to reimburse two (2) Allstate insureds for the insured's collision deductible, as required by Section 27-8-12, after Allstate had collected the funds from a third party through subrogation.

**WHEREAS**, Allstate hereby agrees to take remedial action towards ensuring future compliance with the statutes and regulations of the State of Rhode Island, and agrees to maintain those corrective actions at all times; and

**WHEREAS**, Allstate does hereby voluntarily and knowingly waive any and all of its rights to certain procedural requirements, including notice and opportunity for a hearing, which may have otherwise applied to the above referenced market conduct examination; and

**WHEREAS**, Allstate, after being advised by legal counsel, agrees to the **ORDER OF DIRECTOR** set forth below and as a result of the market conduct examination further agrees voluntarily and knowingly to surrender and forfeit the sum of seven thousand five hundred dollars (\$7,500.00) as an administrative penalty

**NOW, THEREFORE**, in lieu of the institution by the Director of other sanctions, Allstate does hereby voluntarily and knowingly waive all rights to any hearing in the aforementioned matter, consents to the **ORDER OF DIRECTOR** set forth below and surrenders and forfeits the sum of seven thousand five hundred dollars (\$7,500.00) to the Department.

**CONSENT AS TO FORM AND SUBSTANCE**

I hereby consent to the form and substance of this Consent Order and certify that I have authority to do so on behalf of Allstate.


**Allstate Insurance Company**

Mananne C. Olson  
Witness



**Allstate Indemnity Company**

Mananne C. Olson  
Witness



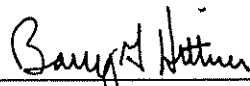
**ORDER OF DIRECTOR**  
**DEPARTMENT OF BUSINESS REGULATION**  
**INSURANCE DIVISION**

Pursuant to authority vested in me by the general laws of the State of Rhode Island, I do hereby **ORDER** Allstate Insurance Company and Allstate Indemnity Company to implement procedures to place them in full compliance with those statutes and regulations found to have been violated by Allstate Insurance Company and Allstate Indemnity Company as stated above in the **CONSENT ORDER**.

Furthermore, I accept and agree to the **CONSENT ORDER** and accept the voluntary forfeiture of an administrative penalty of seven thousand five hundred dollars (\$7,500.00) as a sufficient means to ensure the compliance by such parties with the statutes and regulations of the State of Rhode Island.

**IT IS SO ORDERED**

**IN WITNESS WHEREOF**, I have hereunto set my hand in Providence, Rhode Island, this 19<sup>th</sup> day of July 1996.

  
\_\_\_\_\_  
**Barry G. Hittner, Director**  
**Department of Business Regulation**  
**State of Rhode Island**

96-044  
**Order Number**

**REPORT ON**

**MARKET CONDUCT EXAMINATION**

**OF**

**ALLSTATE INSURANCE COMPANY**  
**(NAIC COMPANY CODE 19232)**

**ALLSTATE INDEMNITY COMPANY**  
**(NAIC COMPANY CODE 19240)**

**AS OF 12/31/94**

**2775 Sanders Road**  
**Northbrook, Illinois 60062-7127**  
**(708) 402-5000**

**NAIC GROUP CODE 008**

**INSURANCE DIVISION**  
**DEPARTMENT OF BUSINESS REGULATION**  
**STATE OF RHODE ISLAND**

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PROVIDENCE, RHODE ISLAND

March 22, 1996

Honorable Barry G Hittner  
Insurance Commissioner  
State of Rhode Island

Dear Sir:

In accordance with your instructions, and pursuant to the statutes of the State of Rhode Island, a Market Conduct Examination was conducted of the Rhode Island business of:

**Allstate Insurance Company  
and  
Allstate Indemnity Company**

2775 Sanders Road  
Northbrook, Illinois 60062-6127

which are hereinafter referred to as the "Companies." Our report is hereby submitted as follows.

**FOREWORD**

Our Market Conduct Examination Report is in general, a report by exception. Practices, procedures, and/or files subject to review during this examination may have been omitted from the report if errors and/or improprieties were not evidenced.

**SCOPE OF EXAMINATION**

We conducted our examination in accordance with Title 27 Chapters 13 and 13.1 of the General Laws of Rhode Island. The examination covers the period from January 1, 1993, to December 31, 1994. Performance of our examination was in accordance with procedures established by the National Association of Insurance Commissioners and standards established by the Rhode Island Department of Business Regulation, Insurance Division.

The examination was conducted at the Companies' regional office at 74 Batterson Park Road, Farmington, Connecticut.

Areas examined include: Certificates of Authority, Consumer or Other Related Complaints, Underwriting and Rate Application, Cancellations and Nonrenewals, and Claim Practices. The lines of business examined were homeowners and personal automobile.

The primary purpose of the examination was to evaluate the Companies' compliance with Rhode Island Insurance Laws and Regulations, and to determine whether Rhode Island policyholders and claimants are being treated equitably and fairly. The test work performed during the examination satisfied this purpose, and forms the basis for the findings and recommendations presented in this report.

## **COMPANY OVERVIEW**

### **History**

#### **Allstate Insurance Company**

Allstate Insurance Company was incorporated in Illinois on February 9, 1931, and began operations on April 17, 1931. Allstate Insurance Company is wholly owned by Allstate Corporation, which is now a publicly traded holding company.

In June of 1993, Sears Roebuck and Company sold 89.5 million shares of its Allstate Corporation common stock, representing approximately 20% ownership of Allstate Corporation, through an initial public offering. In mid 1995, Sears Roebuck and Company spun off the remainder of its 80.3% ownership of Allstate Corporation common stock to its common stockholders.

#### **Allstate Indemnity Company**

Allstate Indemnity Company was incorporated in Illinois on July 7, 1960, and began operations on December 12, 1960. It is a wholly owned subsidiary of Allstate Insurance Company. Until its name was changed on December 14, 1973, Allstate Indemnity was formerly known as National Emblem Insurance Company.

### **Company Operations**

The Companies are members of a group of ten property casualty companies that write over 91% of their business in the personal lines area. Of the personal lines written, personal automobile represents approximately 73%, while homeowners represents approximately 17%. The Allstate Group is the second largest writer of homeowners and personal automobile insurance in the nation, with an approximate market share of twelve percent (12%) for both homeowners and personal automobile insurance.

The Companies operate mainly through the use of a captive agency force of approximately thirteen thousand five hundred 13,500 agents, with the exception of rural areas, which are



serviced by approximately thirty-six hundred 3,600 independent agents. The Companies are licensed in all states and the District of Columbia. Allstate Insurance is also licensed in Puerto Rico and all provinces of Canada.

Allstate Indemnity is a specialty carrier, and primarily writes automobile insurance for drivers that are non-standard risks. In some states Allstate Indemnity also writes high performance or high value vehicles.

Premiums written by the Companies in Rhode Island during 1994 are as follows.

**ALLSTATE INSURANCE COMPANY**

<b>Line of Business</b>	<b>RI Premium</b>
Fire	\$ 526,733
Allied Lines	449,932
Homeowners Multiple Peril	11,852,685
Commercial Multiple Peril (non-liability portion)	488,508
Commercial Multiple Peril (liability portion)	170,116
Inland Marine	427,053
Earthquake	12,132
Workers' Compensation	(45,015)
Other Liability	138,335
Products	765
Other Private Passenger Auto Liability	38,620,130
Other Commercial Auto Liability	253,310
Private Passenger Auto Physical Damage	16,096,157
Commercial Auto Physical Damage	125,820
Aircraft (all perils)	225
Fidelity	465
Surety	1,277
Boiler and Machinery	696
Credit	<u>36,598</u>
<b>Total Rhode Island Premiums Written</b>	<b>\$69,155,921</b>

The company's countrywide direct written premiums in 1994 were \$12,646,673,658.

**ALLSTATE INDEMNITY COMPANY**

<b>Line of Business</b>	<b>RI Premium</b>
Homeowners Multiple Peril	\$ 8,972
Inland Marine	( 20)
Other Private Passenger Auto Liability	7,310,241
Other Commercial Auto Liability	210,977

Private Passenger Auto Physical Damage	2,056,225
Commercial Auto Physical Damage	<u>87,257</u>
<b>Total Rhode Island Premiums Written</b>	<b>\$9,673,651</b>

The Company's countrywide direct premiums written in 1994 were \$2,720,889,818

### **Management**

On December 31, 1994, the companies were managed by the following individuals:

#### **Allstate Insurance Company**

Chairman of the Board	Wayne Evans Hedien
President	(Vacant)
Senior Executive Vice-President and Chief Executive Officer	Jerry Dale Choate
Senior Vice-President, Secretary and General Counsel	Robert William Pike
Senior Vice-President and Treasurer	Myron Jay Resnick
Senior Vice-President and Chief Financial Officer	Norbert Anthony Florek
Senior Executive Vice-President	John Donald Callahan
Executive Vice-President	Edward Michael Liddy

#### **Allstate Indemnity Company**

Chairman of the Board	Wayne Evans Hedien
President	Jerry Dale Choate
Senior Vice-President Secretary and General Counsel	Robert William Pike
Senior Vice-President and Treasurer	Myron Jay Resnick

Senior Vice-President  
and Controller

Norbert Anthony Florek

### **CERTIFICATES OF AUTHORITY**

The Companies' Rhode Island Certificates of Authority were reviewed in conjunction with a review of the Companies' Rhode Island operations, in order to determine whether during the period under examination, the Companies were in compliance with Section 27-2-11 License, of the General Laws of Rhode Island.

The Companies are licensed in the State of Rhode Island to write all lines of insurance except life and title insurance. The review indicated that operations of the Companies during the examination period were in compliance with their Certificates of Authority

### **CONSUMER OR OTHER RELATED COMPLAINTS**

A review of the consumer or other related complaints area was performed to determine whether the Companies resolved complaints in accordance with their established complaint handling procedures and the applicable Rhode Island General Laws.

The Companies received one hundred and fifty-six (156) complaints involving Rhode Island insureds during the two year period under examination. Sixty-five (65) of these complaints had also been reported to the Rhode Island Insurance Division. From the population of one hundred and fifty-six (156), a sample of thirty (30) complaints was reviewed for compliance with the Companies' established complaint handling procedures and the applicable Rhode Island General Laws.

The results of the review indicate that the Companies are handling complaints in accordance with applicable Rhode Island General Laws and the Companies' established complaint handling procedures.

### **UNDERWRITING / RATE APPLICATION**

#### **Homeowners**

For the period under examination, Allstate Insurance Company's homeowners insurance underwriting and rating practices were reviewed. The review was conducted to determine whether the Allstate Insurance Company was in compliance with Sections 27-5-3 Standard

Provisions, 27-5-9 1 Simplified Policies, 27-6 Fire and Marine Insurance Rating, 27-2-17(c) Reciprocal Fees, Nonresident Insurance Producers, and 27-44-5 Rate Standards, of the General Laws of Rhode Island. In addition, the examination was conducted to determine whether the Allstate Insurance is rating policies in compliance with its underwriting guidelines, and is utilizing licensed agents to produce business in the State of Rhode Island. During the period under examination, Allstate Indemnity Company did not write homeowners insurance in the State of Rhode Island.

A sample of one hundred and thirty (130) policy application files was selected from a population of eight thousand two hundred and forty-six (8,246) new business homeowner policies written during the examination period. Of the one hundred and thirty (130) application files requested, the Allstate Insurance Company could not locate twenty (20) files, which represents fifteen percent (15%) of the files requested. Section 27-44-5(f)(4) of the General Laws of Rhode Island requires each company to maintain reasonable records of the information collected by it in developing the premium charged for any risk, so that the records will be available to enable the Director of the Rhode Island Department of Business Regulation to verify compliance with Section 27-44 Casualty, Liability and Fire and Marine Insurance Rating, of the Rhode Island General Laws.

Allstate Insurance Company could not provide the records collected by it in developing the premium charged for twenty (20) of the risks underwritten in this area, which is a violation of 27-44-5(f)(4) Rate Standards.

It is recommended that Allstate Insurance Company review their record retention and retrieval system for homeowners application files, and if necessary, institute procedures to assure that all new business applications are retained by the Company and can be made available as needed for examination in compliance with Section 27-44-5(f)(4) of the Rhode Island General Laws.

The review of the remaining one hundred and ten (110) policy application files revealed four (4) minor exceptions that were brought to the Company's attention for correction. All other files reviewed indicate that the Company's homeowners policy underwriting and rating was in compliance with applicable Rhode Island Laws and the Company's underwriting guidelines.

### **Personal Automobile**

An examination of the Companies' personal automobile underwriting and rating practices was conducted to determine whether during the period under examination, the Companies have complied with the following sections of the Rhode Island General Laws: 27-9 Casualty Insurance Rating, 31-47-2 Definitions, 27-7-2 1 Uninsured Motorist Coverage, 27-7-2 5 Medical Payment, 27-9-53 Motor Vehicle Accidents, Rate Increases, 27-8-16 Underwriting Rules for Automobile Insurance, 27-9-4 Ratemaking Standards, Policy Renewal

Testing for compliance with Rhode Island Insurance Regulation III Automobile Liability Insurance: Minors. Filing Certificate of Financial Responsibility on Behalf of Minor, No Surcharges for Minors on Clean Risks, Rhode Island Insurance Regulation X Automobile Liability

Insurance, Uninsured and Underinsured Motorist Coverage. Rates for Property Damage Caused by Collision, Rhode Island Insurance Regulation XXII Reference Filings, Rhode Island Insurance Regulation XXV Automobile Insurance Merit Rating Plan, Rhode Island Insurance Regulation XLV Relating to Automobile Insurance Premium Reduction for Anti-Theft Devices (superceded eff. 5/25/94), Rhode Island Insurance Regulation LXXXIV Automobile Insurance Premium Reduction for Anti-Theft Devices (eff. 5/25/94), Rhode Island Insurance Regulation LIII Automobile Insurance Minimum Liability Coverage Limits, and Rhode Island Insurance Regulation LXXX Underwriting Standards and Guidelines, was also performed.

A sample of one hundred and thirty (130) application files was developed from a population of eighteen thousand and twenty-five (18,025) new business automobile policies written by the Companies during 1993 and 1994. Of the one hundred and thirty (130) files requested from the Companies, thirty-eight (38) files, or twenty-nine percent (29%) of the sample could not be located by the Companies. The files that could not be located were twenty-one (21) Allstate Indemnity Company files and seventeen (17) Allstate Insurance Company files.

In addition to the files not located by the Companies, two of the files provided (one (1) Allstate Insurance Company file and one (1) Allstate Indemnity Company file), did not contain sufficient information to properly test the underwriting and rating of the applicable policies.

Based upon the thirty-eight (38) files that could not be located by the Companies, and the two (2) files provided which did not contain sufficient information to determine whether the policy had been properly underwritten and rated, the Companies are in violation of Section 27-44-5(f)(4) Rate Standards, of the General Laws of Rhode Island. This law requires each insurance company to maintain reasonable records of the information collected or used by it in developing the premium charged for any risk, so that records will be available to enable the Director of the Rhode Island Department of Business Regulation to verify compliance with this chapter of the law.

It is recommended that the Companies examine their record retention and retrieval system for automobile insurance application files, and if necessary, institute procedures to assure future compliance with Section 27-44-5(f)(4) Rate Standards, of the Rhode Island General Laws.

An examination of the ninety-two (92) personal automobile files provided by the Companies indicated that most were underwritten and rated in compliance with all applicable Rhode Island General Laws and Regulations. However, one policy examined was found not to have provided Uninsured Motorist Bodily Injury Coverage as required by Section 27-7-2 1(a) Uninsured Motorists Coverage, of the Rhode Island General Laws. This law allows Uninsured Motorist Bodily Injury coverage to be rejected only if the minimum liability limits of 25,000/50,000 are purchased. On the policy in question, the applicant had selected liability limits of 100,000/300,000, and was not legally entitled to waive the uninsured motorist bodily injury coverage. Therefore, this policy was written by Allstate Indemnity Company, in violation of Section 27-7-2 1(a) Uninsured Motorist Coverage, of the General Laws of Rhode Island.

It is recommended the Allstate Indemnity Company institute the necessary procedures to assure that only applicants with minimum liability limits of 25,000/50,000 are allowed to reject uninsured motorist bodily injury coverage, in order to comply with Section 27-7-2 1(a) Uninsured Motorists Coverage, of the Rhode Island General Laws

During the examination of the personal automobile underwriting and rating practices of the Companies, the following violations of Rhode Island General Law were evidenced for both Allstate Insurance Company and Allstate Indemnity Company.

The motor vehicle liability policies issued by the Companies do not contain the language required by Section 27-10.3-1 Motor Vehicle Insurance - Mandatory Arbitration Provision, and are therefore in violation of Section 27-10.3-1 of the Rhode Island General Laws.

It is recommended that the Companies amend their motor vehicle liability policies in order to be in compliance with Section 27-10.3-1 Motor Vehicle Insurance - Mandatory Arbitration Provision, of the Rhode Island General Laws. This amendment should include all of the required provisions. The language required describes how any plaintiff suffering a loss allegedly resulting from liability imposed by law for property damage, bodily injury, or death, may at his or her election, whenever the claim is for twenty-five thousand dollars or less, submit the matter to arbitration pursuant to Chapter 3 of Title 10 of the Rhode Island General Laws. The section also requires specific language regarding selection of an arbitrator, hearings, the statute of limitations, etc., which must be included in the policy contract. Our finding is a result of our review of the Companies' insurance policy contract, and not as a result of an actual case where a plaintiff was not informed of arbitration rights described in Section 27-10.3-1 of the Rhode Island General Laws.

During our review of the Allstate Insurance and Allstate Indemnity rating manuals, we noted language in the manuals regarding the definition of a "chargeable accident," which was not the same as that defined in Rhode Island Insurance Regulation XXV Automobile Insurance Merit Rating Plan. According to Rhode Island Insurance Regulation XXV, a chargeable accident is an accident where the operator of the vehicle is determined to be more than 50% at fault. Two sections of the Allstate Indemnity rating manual referred to a chargeable accident as one where the operator is determined to be 50% or more at fault. One section of the Allstate Insurance Company manual also used this definition for a chargeable accident.

A representative of the Companies replied in writing that all claim handling, and the process of charging for "incidents" is according to Rhode Island Insurance Regulation XXV, although the rating manuals may not be worded properly. We do not have any findings that indicate otherwise, however, it is recommended that the Companies amend their rating manuals so that any references to the definition of a chargeable accident are defined in compliance with Rhode Island Insurance Regulation XXV.

## **CANCELLATIONS AND NONRENEWALS**

### **Homeowners Cancellations and Nonrenewals**

A review of Allstate Insurance Company's homeowner policy cancellation and nonrenewal practices was performed to determine whether during the period under examination, the Company was in compliance with Section 27-5-3 Standard Provisions and Section 27-5-3.4, Notice of Cancellation or Nonrenewal, of the General Laws of Rhode Island.

A sample of thirty-five (35) homeowner policy cancellations and nonrenewals was selected for review. Twenty-seven (27) cancellations from a population of seven hundred and seventy-three (773) and eight (8) nonrenewals from a population of one hundred and seventy-one (171) were selected.

All of the homeowner policy cancellations and nonrenewals reviewed demonstrated that Allstate Insurance Company's homeowner policy cancellation and nonrenewal practices were in compliance with their homeowner policy contract and applicable Rhode Island General Laws.

### **Personal Automobile Cancellations**

The Companies' personal automobile policy cancellation practices during the period under examination were reviewed. The review was conducted to determine whether the Companies were in compliance with Section 31-47-4 Notice of termination or cancellation, of the General Laws of Rhode Island, and Rhode Island Insurance Regulation XVI, Auto Insurance Policies Cancellation and Renewal Provisions.

From the population of two thousand eight hundred and seventeen (2,817) company initiated personal automobile cancellations, a sample of eight-five (85) cancellations was selected for review. The review of these files indicated that most were for non-payment of premium, and were in compliance with Section 31-47-4 of the Rhode Island General Laws. However, in seven (7) instances where the Allstate Insurance Company cancelled for reasons other than non-payment of premium, the cancellation notice was in violation of Section 31-47-4 Notice of termination or cancellation, of the General Laws of Rhode Island. The violations are due to Allstate Insurance Company's failure to include the required notice of financial responsibility in twelve point type on the notice of cancellation.

It is recommended that Allstate Insurance Company institute procedures to assure that all of its cancellation notices contain the appropriate notice of financial responsibility, and that such notice is in twelve point type in order to comply with Section 31-47-4 of the General Laws of Rhode Island.

### **Personal Automobile Nonrenewals**

For the period under examination, the personal automobile nonrenewal practices of the Companies were reviewed. The review was conducted to determine whether the Companies were in compliance with Section 31-47-4 Notice of Termination or Cancellation, of the General Laws of Rhode Island and Regulation XVI, Auto Insurance Policies Cancellation and Renewal Provisions.

From a population of two hundred and fourteen (214) personal automobile nonrenewals, a sample of nine (9) files was requested for review. One (1) of the nine (9) files requested (an Allstate Indemnity nonrenewal) could not be located. The eight (8) remaining files were reviewed. Two (2) of these files were in violation of Section 31-47-4 Notice of Termination or Cancellation, of the General Laws of Rhode Island. The violations are due to Allstate Insurance Company's failure to include the required notice of financial responsibility in twelve point type on the nonrenewal notice.

It is recommended that Allstate Insurance Company institute procedures to assure that all of its nonrenewal notices contain the appropriate notice of financial responsibility, and that such notice is in twelve point type in order to comply with Section 31-47-4 of the General Laws of Rhode Island.

### **CLAIM PRACTICES**

Computer runs of all claims paid and all claims closed without payment during the examination period were requested from the Companies for the following areas: homeowners, personal automobile property damage liability, personal automobile collision, and personal automobile comprehensive. A sample of one hundred and thirty (130) claims was selected from this claim population of twenty-two thousand one hundred and forty-three claims (22,143). The examination findings are divided by types of claims as follows:

#### **Homeowners Paid and Closed Without Payment Claims**

A review of Allstate Insurance Company's claim practices for the homeowners line of business was conducted to determine whether the company has complied with the applicable provisions of its homeowner policy contracts; and Section 27-5-3 Standard Provisions and Section 27-9.1-4 Prohibited Practices of the General Laws of Rhode Island, in addition to Rhode Island Insurance Regulation XXVIII Fair Insurance Claims Settlement Practices (superceded eff. 2/14/94), and Regulation LXXIII Unfair Property/Casualty Claims Settlement Practices Regulation (eff. 2/14/94), for the period under examination.

A sample of thirty-seven (37) Allstate Insurance Company homeowners claims was selected for review out of a population of six thousand two hundred and six homeowners claims (6,206). The



Allstate Indemnity Company did not write homeowners insurance in the State of Rhode Island during the period under examination.

The review of homeowner claims indicated that for the period under examination, Allstate Insurance Company has processed their homeowner claims in compliance with all applicable Rhode Island General Laws and with its homeowner policy contracts.

#### **Personal Automobile Comprehensive Paid and Closed Without Payment**

A review of the Companies' personal automobile comprehensive paid claims and closed without payment claims was conducted to determine whether the Companies were in compliance with their automobile insurance policy contract and Sections 27-10.2-2 Motor Vehicle Body Replacement Parts, 27-8-12 Subrogation, 27-8-14 Lost and Salvage Vehicle Reporting, 27-9.1-4 Prohibited Practices, of the General Laws of Rhode Island. In addition, compliance with Regulation XXVIII Fair Insurance Claim Settlement Practices and Regulation LXXIII Unfair Property/Casualty Claims Settlement Practices Regulation was assessed.

A sample of eleven (11) personal automobile comprehensive claim files was selected from the population of two thousand and seventy-five claims (2,075). Based upon the examination work performed, the Companies appear to be in compliance with their personal automobile policy contracts and the applicable Rhode Island laws and regulations.

#### **Personal Automobile Collision Paid and Closed Without Payment**

A review of personal automobile collision claims paid and claims closed without payment during the examination period was conducted to assess the Companies' compliance with their automobile insurance policy contracts and Sections 27-10.2-2 Motor Vehicle Body Replacement Parts, 27-8-12 Subrogation, and 27-9.1-4 Prohibited Practices (Unfair Claims Settlement Practices) of the Rhode Island General Laws. Testing for compliance with Rhode Island Insurance Regulations XXVIII, Fair Insurance Claim Settlement Practices and LXXIII Unfair Property/Casualty Claims Settlement Practices was also performed.

A sample of forty-one (41) collision claims was selected from the population of six thousand eight hundred and eighty (6,880) collision claims paid and collision claims closed without payment during the examination period. A review of the forty-one (41) claims indicated that Allstate Insurance Company was not in compliance with Section 27-8-12 of the General Laws of Rhode Island in two instances, when they failed to reimburse their insured for their collision deductible, as required, after Allstate had collected from a third party through subrogation.

It is recommended that Allstate Insurance Company send a check to their insureds to reimburse their collision deductibles, which were collected by Allstate through subrogation.

### **Personal Automobile Liability Property Damage Paid and Closed Without Payment**

A review of the Companies' property damage liability claims was performed to evaluate their compliance with their personal automobile policy contracts and Sections 27-7-5 Disclosure of Policy Limits, 27-10.2-2 Claims Adjusting, 27-10.2-2 Aftermarket Parts, 27-8-12 Subrogation, 27-8-14 Lost and Salvage Vehicle Reporting, and 27-9.1-4 Prohibited Practices of the General Laws of Rhode Island. In addition, compliance with Regulation X §5 Waiver of Statutory Deductible, Regulation XXVIII Fair Property/Casualty Claims Settlement Practices Regulation (eff. 9/15/80), and Regulation LXXIII Unfair Property/Casualty Claims Settlement Practices Regulation (eff. 2/14/94) was assessed.

A sample of forty-one (41) personal automobile property damage liability claims was selected for review from the population of six thousand nine hundred and eighty-two (6,982) property damage claims. Based upon the examination procedures performed, it appears that all claims examined were handled in compliance with the Companies' policy contract and all applicable Rhode Island General Laws and Rhode Island Insurance Regulations.

## **SUMMARY OF RECOMMENDATIONS**

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It is recommended that Allstate Insurance Company review their record retention and retrieval system for homeowners application files, and if necessary, institute procedures to assure that all new business applications are retained by the Company and can be made available as needed for examination in compliance with Section 27-44-5(f)(4) of the Rhode Island General Laws

### **Page 9**

It is recommended that the Companies examine their record retention and retrieval system for automobile insurance application files, and if necessary, institute procedures to assure future compliance with Section 27-44-5(f)(4) Rate Standards, of the Rhode Island General Laws

### **Page 10**

It is recommended the Allstate Indemnity Company institute the necessary procedures to assure that only applicants with minimum liability limits of 25,000/50,000 are allowed to reject uninsured motorist bodily injury coverage, in order to comply with Section 27-7-2.1(a) Uninsured Motorists Coverage, of the Rhode Island General Laws.

It is recommended that the Companies amend their motor vehicle liability policies in order to be in compliance with Section 27-10.3-1 Motor Vehicle Insurance - Mandatory Arbitration Provision, of the Rhode Island General Laws. This amendment should include all of the required provisions.

We do not have any findings that indicate otherwise, however, it is recommended that the Companies amend their rating manuals so that any references to the definition of a chargeable accident are defined in compliance with Rhode Island Regulation XXV.

### **Page 11**

It is recommended that Allstate Insurance Company institute procedures to assure that all of its cancellation notices contain the appropriate notice of financial responsibility, and that such notice is in twelve point type in order to comply with Section 31-47-4 of the General Laws of Rhode Island

### **Page 12**

It is recommended that Allstate Insurance Company institute procedures to assure that all of its nonrenewal notices contain the appropriate notice of financial responsibility, and that such notice is in twelve point type in order to comply with Section 31-47-4 of the General Laws of Rhode Island

**SUMMARY OF RECOMMENDATIONS (CONTINUED)**

**Page 13**

It is recommended that Allstate Insurance Company send a check to their insureds to reimburse their collision deductibles, which were collected by Allstate through subrogation.

## ACKNOWLEDGMENT

Acknowledgment is made of the courteous cooperation extended by the Companies' employees during the course of this examination.

Assisting the undersigned in the conduct of this examination from the Rhode Island Insurance Division were Deborah A. Bradford, Market Conduct Examiner, Ronald R. Radtke, Senior Market Conduct Examiner; Robert G. Arrow, FLMI, AIE, Senior Market Conduct Examiner, and John Carr, CPCU, AIE, Principal Market Conduct Examiner.

Respectfully submitted,

A handwritten signature in black ink that reads "Sharon K. Gordon". The signature is written in a cursive style with a horizontal line underneath the name.

Sharon K. Gordon, CPA, AFE  
Insurance Examiner-In-Charge  
State of Rhode Island