

**DELAWARE DEPARTMENT OF INSURANCE**  
**MARKET CONDUCT EXAMINATION REPORT**

**Allstate Indemnity Company**  
**Authority # 19240-21-702**

**Allstate Insurance Company**  
**Authority # 19232-21-703**

**Allstate Property and Casualty Insurance Company**  
**Authority # 17230-21-704**

**Allstate Vehicle and Property Insurance Company**  
**Authority # 37907-21-705**

**2775 Sanders Road, Suite A2W**  
**Northbrook, IL 60062-6127**

**As of**

**December 31, 2020**

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION

OF THE

**Allstate Indemnity Company**  
**Allstate Insurance Company**  
**Allstate Property and Casualty Insurance Company**  
**Allstate Vehicle and Property Insurance Company**

AS OF

December 31, 2020

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

Consideration has been duly 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.



In Witness Whereof, I have hereunto set my hand  
and affixed the official seal of this Department at the  
City of Dover, this 6th day of June, 2022.

  
Trinidad Navarro  
Insurance Commissioner

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2020 on

**Allstate Indemnity Company**  
**Allstate Insurance Company**  
**Allstate Property and Casualty Insurance Company**  
**Allstate Vehicle and Property Insurance Company**

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

Attest By: \_\_\_\_\_

A handwritten signature in blue ink, appearing to be "S. Smith", written over a horizontal line.



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 6<sup>th</sup> day of June, 2022.

A handwritten signature in blue ink, "Trinidad Navarro", written over a horizontal line.

Trinidad Navarro  
Insurance Commissioner

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Honorable Trinidad Navarro  
Insurance Commissioner  
State of Delaware  
1351 West North Street  
Suite 101  
Dover, Delaware 19904

Dear Commissioner Navarro:

In compliance with the instructions contained in Examination Authority Numbers 19240-21-702, 19232-21-703, 17230-21-704 and 37907-21-705 and pursuant to statutory provisions including 18 *Del C.* §§ 318-322, a Market Conduct Examination has been conducted of the affairs and practices of:

**Allstate Indemnity Company – NAIC #19240**  
**Allstate Insurance Company – NAIC #19232**  
**Allstate Property and Casualty Insurance Company – NAIC #17230**  
**Allstate Vehicle and Property Insurance Company – NAIC #37907**

The examination was performed as of December 31, 2020.

The examination was conducted off-site, performed at the offices of the Delaware Department of Insurance, hereinafter referred to as the Department, or other suitable locations.

The report of examination herein is respectfully submitted.

## EXECUTIVE SUMMARY

Allstate Indemnity Company (AI), Allstate Insurance Company (AIC), Allstate Property and Casualty Insurance Company (APCIC) and Allstate Vehicle and Property Insurance Company (AVPIC), herein after referred to as the Allstate Companies, are multi-line property and casualty insurance companies, reporting total direct premiums written for all states of \$17,166,329,059, of which Delaware has a market share of \$111,880,200 or approximately 0.65%.

The examination was a targeted review of the Company's Private Passenger Automobile and Homeowners (including Renters and Condos) book of business in the following areas of operation: Company Operations and Management, Complaint Handling, Marketing and Sales, Producer Licensing and Agent Handling, Policyholder Services, Underwriting and Rating, and Claims. The examination period was January 1, 2018, through December 31, 2020.

The report encompasses four Allstate Companies and throughout the report, exceptions will only be noted if exceptions were found for a particular company. If no company is mentioned, then there were no exceptions found. If the term "Companies" is mentioned, then the exception pertained to all four Allstate Companies.

The following exceptions were noted in the areas of operation reviewed:

### **4 Exceptions - 18 Del. C. § 3905(a) Cancellation or nonrenewal of automobile policy-Notice of cancellation or intention not to renew; notice of reasons.**

*(a) No cancellation of a policy to which § 3904(a) of this title applies shall be effective unless notice thereof is mailed or delivered by the insurer to the named insured at least 30 days prior to the effective date of cancellation and accompanied by the reason for cancellation, except that, where cancellation is for nonpayment of premium, at least 15 days' notice of cancellation accompanied by the reason therefor shall be given.*

AI was unable to provide a Proof of Mailing for one Private Passenger Automobile termination notice and the APCIC was unable to provide a Proof of Mailing for three Private Passenger Automobile termination notices.

### **4 Exceptions - 18 Del. C. § 3905(d) & (e) Cancellation or nonrenewal of automobile policy-Notice of cancellation or intention not to renew; notice of reasons.**

*(d) When a policy is cancelled or nonrenewed, other than for nonpayment of premium, the insurer shall notify the named insured of any possible eligibility for insurance through an automobile assigned risk plan. Such notice shall accompany or be included in the notice of cancellation or the notice of intent not to renew, and shall state that such notice of availability of the automobile assigned risk plan is given pursuant to this section.*

*(e) Each notice of cancellation, except as provided in § 3903(b), or nonrenewal of a policy shall contain or be accompanied by a notice of the named insured's right to apply to the Commissioner for a hearing thereon.*

AI sent three Private Passenger Automobile termination notices and AIC sent one Private Passenger Automobile termination notice that did not contain appropriate language related to the assigned risk plan and the named insured's right to apply to the Commissioner for a hearing.

**1 Exceptions - 18 Del. C. § 2304(2) Unfair methods of competition and unfair or deceptive acts or practices defined.**

*The following are hereby defined as unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:*

*(2) False information and advertising generally. — No person shall make, publish, disseminate, circulate or place before the public, or cause, directly or indirectly, to be made, published, disseminated, circulated or placed before the public, in a newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster, or over any radio or television station, or in any other way, an advertisement, announcement or statement containing any assertion, representation or statement with respect to the business of insurance or with respect to any person in the conduct of the insurance business, which is untrue, deceptive or misleading.*

AI, AIC and AVPIC sent a written termination notice to Homeowner policyholders advising them that a \$10.00 fee was required when submitting an appeal to the Commissioner. This is incorrect. The \$10.00 fee requirement was eliminated in 2012. This exception was noted in the full sample of 193 notices, however is an administrative error and no consumers were harmed, as such it is considered one error for purposes of this report. The Company reports the error was corrected as of April 6, 2021.

**154 Exceptions - 18 Del. C. § 4121 - Bulletin 21**

*(a) A prominent notification that the policyholder should immediately begin seeking alternative property insurance from a licensed Delaware insurance agent if the policyholder intends to avoid a lapse in coverage, and*

*(b) A prominent notification that the policyholder may be entitled to purchase insurance from the state's industry placement facility program (the FAIR Plan).*

*The notification required by this paragraph shall contain the name and contact information for the state's industry placement facility program, and shall be in at least 18-point type. Including the website address.*

AI, AIC and AVPIC's Homeowners termination notices advising the insured to contact his agent, or the FAIR Plan were not in 18-point type.

**23 Exceptions - 18 Del. C. § 2702 "Policy" defined**

*"Policy" means the written contract of or written agreement for or effecting insurance, by whatever name called, and includes all clauses, riders, endorsements and papers which are a part thereof.*

AI, AIC and AVPIC rejected 23 Homeowners applications and declined business but collected a premium and, according to the Company, provided coverage until the effective date on the cancellation notice. As a result of this disconnect, the consumers were not provided a new business packet nor was the policy entered correctly in the Companies' systems during the period they were

considered active. This error leads to non-compliance with three additional Code references as noted in the body of this report.

#### **14 Exceptions - 18 Del. C. § 2304 Unfair Methods of Competition (7)**

*(7) Illegal dealing in premiums; excess charges for insurance*

*a. No person shall willfully collect any sum as premium or charge for insurance, which insurance is not then provided or is not in due course to be provided (subject to acceptance of the risk by the insurer) by an insurance policy issued by an insurer as authorized by this title.*

AVPIC permitted appointed agents to sell ineligible Mobile Home policies (9) and ineligible Homeowner policies (5) where replacement cost coverage was in excess of \$1,000,000.00. The Company permitted premiums to be collected knowing that the policies were ineligible for coverage. Upon collecting a pro-rated premium for these policies, the Company then sent cancellation notices.

#### **9 Exceptions - 18 Del. C. § 2712 (a.) Filing of Forms**

*No basic insurance policy or annuity contract, form, or application form where written application is required and is to be made a part of the policy or contract or printed rider or endorsement form or form of renewal certificate shall be delivered or issued for delivery in this State, unless the form has been filed with the Commissioner.*

AI did not file for approval from the Delaware Department of Insurance, one Private Passenger Automobile, one Homeowner, and one Rental application and one Private Passenger Automobile Declaration page. AIC did not file one Private Passenger Automobile, one Homeowner, one Rental, and one Condo Application and the AVPIC did not file one Homeowner application.

#### **1 Exception 18 Del. Admin. Code § 702-4.0 - Requirement of Disclosure**

*Insurers, upon initial delivery of a homeowners policy terms and declaration page, and not less than once annually after delivery, shall provide a form to the policyholder entitled "Important Information About Your Homeowners Insurance." The title of the document shall be in at least 30-point type.*

The Homeowner Disclosure notice's titled "Important Information About Your Homeowners Insurance", is not printed in at least 30 point-type nor is its text printed in at least 18 point-type where required. It also does not contain the required verbiage regarding disclosure of non-renewal practices. This is counted as one additional Exception, although each policy in the Sample was affected.

#### **11 Exceptions - 18 Del. Admin. Code § 902 1.2.1.3 Prohibited Unfair Claim Settlement Practices**

*1.2.1.3 Failing to implement prompt investigation of claims arising under insurance policies within 10 working days upon receipt of the notice of the loss by the insurers.*

The Companies failed to implement prompt investigation of claims within 10 working days upon their receipt of the loss. This was noted in three Private Passenger Auto claims and eight Homeowners claims.



### **36 Exceptions - 18 Del. Admin. Code § 902 1.2.1.5 Prohibited Unfair Claim Settlement Practices**

*1.2.1.5 Failing to affirm or deny coverage or a claim or advise the person presenting the claim, in writing, or other proper legal manner, of the reason for the inability to do so, within 30 days after proof of loss statements have been received by the insurer.*

And

### **18 Del. Code §2304 (16) n. Unfair claim settlement practices**

*(16) Unfair claim settlement practices. — No person shall commit or perform with such frequency as to indicate a general business practice any of the following:*

*n. Failing to promptly provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for denial of a claim or for the offer of a compromise settlement.*

The Companies failed to advise the claimant in writing of a denial or to send the denial letter within 30 days. This was noted in 32 Denied Claims, of which 19 were PPA and 13 were HO, and three were noted in Paid PPA Claims.

### **16 Exceptions - 18 Del. Admin. Code § 902 1.2.1.6 Prohibited Unfair Claim Settlement Practices**

*1.2.1.6 Failing to affirm or deny coverage or a claim or advise the person presenting the claim, in writing, or other proper legal manner, of the reason for the inability to do so, within 30 days after proof of loss statements have been received by the insurer.*

AI, AIC & AVPIC failed to attempt, in good faith, a prompt, fair and equitable settlement in claims where liability was clear. This was noted in 11 PPA claims, and five homeowners claims.

### **16 Exceptions - 18 Del. Code § 2104 4.1 Written Notice by Insurers of Payment of Third-Party Claims.**

*4.1 Upon payment in excess of \$5,000.00 in settlement of or upon judgment on any third-party liability or casualty claim and where the claimant is a natural person, the insurer or its representative shall mail to the third-party claimant written notice of payment at the same time such payment is made to the third party's attorney, accountant, agent or other representative*

AI, AIC & APCIC failed to send a written notice of payment to the third-party claimant when the settlement payment was greater than \$5,000 in 16 Private Passenger Automobile claims.

### **11 Exceptions - 21 Del C. 2512 (a) Transfer for salvage**

*Except as provided under subsection (g) of this section, when a registered or unregistered motor vehicle, for which a title has been issued by the Department, is transferred as salvage as a result of a total loss insurance settlement, the insurance company or its authorized agent shall send the certificate of title of the vehicle to the Department within 30 days from the date of settlement.*

*Upon receipt of the certificate of title and appropriate fee, the Department shall issue a salvage certificate. Such salvage certificate is deemed to meet all state proof of ownership*

AI, AIC & APCIC failed to send the certificate of title for the vehicle to the Department of Motor Vehicles within 30 days from the settlement with the vehicle owner and further failed to provide the vehicle owner the Department of Motor Vehicles MRV Form 347. This results in the vehicle owner having to pay a higher title document fee (tax) when replacing the vehicle, in 11 Private Passenger Automobile claims.

### **3 Exceptions - 18 Del. Admin. Code § 902 1.2.1.1 Prohibited Unfair Claim Settlement Practices**

*1.2.1.1 Misrepresenting pertinent facts or insurance policy provisions relating to coverage at issue.*

AI & AIC misrepresented pertinent facts and/or policy provisions that related to the coverage at issue in 3 Homeowners claims.

## **SCOPE OF EXAMINATION**

The Market Conduct Examination was conducted pursuant to the authority granted by 18 Del. C. §§ 318 – 322 and covered the examination period of January 1, 2018, through December 31, 2020. The purpose of the examination was to determine compliance by the Companies with applicable Delaware laws and regulations.

This examination was a targeted review of activities related to Private Passenger Automobile and Homeowners business in the Allstate Indemnity Company, Allstate Insurance Company, Allstate Property and Casualty Insurance Company and the Allstate Vehicle and Property Insurance Company. Areas reviewed were Company Operations and Management, Complaint Handling, Marketing and Sales, Producer Licensing and Agent Handling, Policyholder Services, Underwriting and Rating, and Claims. Homeowners' business includes Renters and Condominiums in addition to Dwellings.

## **METHODOLOGY**

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While the examiners' report on the errors found in individual files, the examination also focuses on general business practices of the Companies.

The Companies identified the universe of files for each segment of the review. Based on the size of the universe, random sampling was utilized to select files reviewed during this examination.

Delaware Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. An exception is any instance of Company activity that does not comply with an insurance statute or regulation. Exceptions contained in the report may result in imposition of penalties. Generally, practices, procedures or files that were reviewed by

Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review these areas of concern in order to determine the potential impact upon Company operations or future compliance. Throughout the course of the examination, company officials were provided status memorandum, which referenced specific complaint, policy and/or claim numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. Written summaries were provided to the Company on exceptions found. An exit conference was conducted with Company officials to discuss various types of exceptions identified during the examination and to review written summaries provided on the exceptions found.

## **COMPANY HISTORY AND PROFILE**

The Allstate Corporation (“ALCORP”), a Delaware Corporation, owns all of Allstate’s outstanding 42,000 shares of common stock. ALCORP is the organizational parent of a number of insurance companies including property/casualty insurers and life/health insurers. Prior to June 30, 1995, Sears, Roebuck and Co. (Sears) indirectly owned 80.3 percent of the Allstate Corporations’ outstanding stock. On June 30, 1995, Sears distributed its ownership in the Allstate Corporations to Sears’ common shareholders through a tax-free dividend. The Allstate Corporation is publicly traded and not controlled by any other company, corporation, group of companies, partnership or individual.

The Company organization for the various insurance functions is complex as some functions are centralized. Allstate Insurance has 14 Regional Field offices that support the local operations. Delaware is supported by the Capital Region, which is located at 15000 Conference Center Drive, Suite 400, Chantilly, VA 20151. This regional office supports only Allstate companies.

Allstate Insurance Company, Allstate Indemnity Company, Allstate Property and Casualty Insurance Company and Allstate Vehicle and Property Insurance Company are multi-line property and casualty insurance companies. The companies distribute the insurance products offered through Allstate Exclusive and Independent Agents. Allstate Insurance Company, Allstate Indemnity Company, Allstate Property and Casualty Insurance Company, and Allstate Vehicle and Property Insurance Company products are also sold through direct channels (Allstate Call Centers and Internet).

Allstate Insurance Company is licensed to do business in 49 states plus the District of Columbia.

Allstate Indemnity Company is licensed to do business in 49 states plus the District of Columbia.

Allstate Property and Casualty Insurance Company is licensed to do business in 48 states plus the District of Columbia.

Allstate Vehicle and Property Insurance Company is licensed to do business in 38 states.

## **COMPANY OPERATIONS AND MANAGEMENT**

The Companies were asked to provide:

A written overview of the Company's operations including management structure, type of carrier, states where the Company is licensed and the major lines of business the Company writes.

A description of all fines, penalties and recommendations from any state for the last five years, and to have available copies of all Financial and Market Conduct Examination (MCE) reports conducted during the last five years.

Copies of the annual statements for the prior three years and any property and casualty related schedules or statements.

A list of all internal audits conducted within the last three (3) years. Internal audits include those audits completed by an internal audit function within the company or conducted via a contracted vendor on behalf of the company.

A copy of the Company's Anti-Fraud Procedures and annual reports.

A process overview for Anti-Fraud Tracking, Reporting and Oversight.

Identification of the individual(s) accountable for the Company's Special Investigation Unit (SIU) or comparable area and include an organizational chart showing the staff of the SIU or comparable area.

A list of all Fraud reported to a regulatory agency during the examination period.

A list of all data reported to the National Insurance Crime Bureau (NICB) or other similar database.

A list of all SIU cases investigated during the examination period.

Board of Director agendas, minutes and attachments for all meetings held during the examination period.

Responses were provided and reviewed. No exceptions were noted.

## **COMPLAINT HANDLING**

The four Companies were asked to provide a list of all complaints received during the examination period of January 1, 2018, through December 31, 2020. The Companies were asked to include complaints received from the Delaware Department of Insurance, as well as complaints made

directly to each Company on behalf of Delaware consumers. The following are populations and samples reviewed for each Company.

| <b>Company Name</b>                            | <b>Population</b> | <b>Sample</b> |
|--|-------------------|---------------|
| Allstate Indemnity Company                     | 111               | 79            |
| Allstate Insurance Company                     | 125               | 79            |
| Allstate Property & Casualty Insurance Company | 668               | 113           |
| Allstate Vehicle & Property Insurance Company  | 99                | 79            |
| <b>Total</b>                                   | <b>1,003</b>      | <b>350</b>    |

The 350 complaints were reviewed for compliance with applicable Delaware Statutes and Regulations pertaining to complaints, including, but not limited to, 18 *Del. C.* § 2304 (17), Delaware Department of Insurance Bulletins, and the NAIC Market Regulation Handbook Standards in Chapter 16. Complaint files involving Claims were reviewed for compliance with 18 *Del. C.* § 2304 (26) and 18 *Del. Admin. C.* § 902 1.2.1.2.

No exceptions were noted.

18 *Del. C.* § 2304 (17) also requires maintenance of a complete record of all complaints received, since the date of its last examination by the Delaware Department of Insurance. The record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of the complaint and the time it took to process each complaint. The Companies certified that they have the records for the time period since the last examination.

The Companies also provided their Complaint Handling Guidelines and Procedures. These were reviewed and found sufficient.

## **MARKETING AND SALES**

The Companies were asked to provide:

A listing of all marketing (including mass marketing), sales and training materials (advertisement and sales tools) distributed or available for distribution, and a brief explanation of how the Company communicates to its producers.

The location(s) of all websites maintained by or on behalf of each Company for marketing purposes.

Copies of Delaware Department of Insurance approval of all marketing materials, applications and notices.

A description of the DriveWise/MileWise program and its implementation process.  
An explanation of how consumers can request a quote or buy a policy on-line.

A sample of marketing and sales materials were reviewed for compliance with the Delaware Statutes and Regulations, Delaware Department of Insurance Bulletins and the NAIC Market

Regulation Handbook Standards in Chapters 16 and 17. The Companies' stated they do not have marketing materials or consumer notices for which it has obtained Department of Insurance approval.

No issues were noted other than their opinion that applications are not considered part of the policy and therefore not submitted to the Department for approval. The examiners disagree and elaborate further in the Underwriting and Rating Section.

## **PRODUCER LICENSING AND AGENT HANDLING**

The Companies were asked to provide:

A list of all producers licensed and appointed with the Company at any time during the examination period, and the date of appointment.

A list of all producers terminated with the Company at any time during the examination period, and the date and reason of termination. A sample will be selected to ensure the termination of producers complies with applicable standards, rules and regulations regarding notification to the producer and notification to the state, if applicable.

A listing of producers such that a sample can be selected to ensure producers are properly licensed and appointed and have appropriate continuing education (if required by state law) in the jurisdiction where the application(s) were taken.

A description of the type of agency system utilized by the Company, e.g., independent, direct or exclusive.

A description of how the Company verifies that all business which it accepts from producers is written by individuals who are duly licensed and appointed to represent the Company.

A description and copies of the Commission Schedules, including multi-level commissions schedules, in use during the examination period.

A description of how the Company verifies that the producer account balances are in accordance with the producer's contract with the Company.

A description of any incentives or motivational awards/recognitions that were given or available to the Company's producers during the examination period.

Each Company provided a list of active and terminated agents. Each Company had roughly 3,100 agents. A random review of 115 active agents was completed and verified for license and appointment. In addition, proper agent licensing and appointing was verified in all new business underwriting samples. They utilize an agency system comprised of three channels as follows:



1. Exclusive agent channel, comprised of independent contractors with neighborhood offices as well as locations within auto dealerships, that performs sales and service of Allstate products.
2. Direct channel, comprised of Allstate employees, that performs sales and service of Allstate products.
3. Independent agent channel that performs sales and service of Allstate products as well as products from other insurance companies.

All documents provided were reviewed for compliance with the Delaware Statutes and Regulations, Delaware Department of Insurance Bulletins and the NAIC Market Regulation Handbook Standards in Chapters 16. There were no exceptions.

### **POLICYHOLDER SERVICES**

The Companies were asked to provide:

A description of the process for policy issuance, insured requested terminations, premium notices, billing notices, policy transactions and responding to policyholder correspondence specifically those pertaining to claims history and loss information.

The procedures for locating missing policyholders or beneficiaries.

The procedures for handling the unearned premium calculation and refund.

All provided documents and procedures were reviewed for compliance with the Delaware Statutes and Regulations, Delaware Department of Insurance Bulletins and NAIC Market Regulation Handbook Standards in Chapters 16 and 17. There were no exceptions.

### **UNDERWRITING AND RATING**

The examination of Underwriting and Rating was conducted and performed to verify the Company's compliance with Delaware Statutes and Regulations, Insurance Department Bulletins and NAIC Market Regulation Handbook Standards in Chapters 16 & 17. Each Company was asked to provide a listing of all new, renewal and terminated Private Passenger Automobile and Homeowners (including Renters and Condo) policies issued during the examination period of January 1, 2018, through December 31, 2020, along with relevant copies of all Private Passenger Automobile and Homeowners underwriting and rating manuals and forms, notices and disclosures in use. The examiners were allowed remote access to their underwriting and rating system.

Copies of policies and procedures regarding the use of credit information, including any specific efforts or reports to ensure compliance with 18 Del. C. § 8301 – 8303, were also requested.

A sample termination notification and any supplemental documentation provided at the time of termination was also requested and provided.

#### **New Business Policies**

A listing of all new business policies issued during the examination period was provided. Companies not shown for a specific line in the table below did not write applicable new business during the examination period. The following are populations and samples reviewed for each company:

| <b>Company Name</b>                                | <b>Population</b> | <b>Sample</b> |
|--|-------------------|---------------|
| Allstate Indemnity Company-PPA                     | 1,976             | 114           |
| Allstate Indemnity Company-Renters                 | 970               | 114           |
| Allstate Insurance Company-Renters & Condos        | 9,024             | 116           |
| Allstate Property & Casualty Insurance Company-PPA | 12,163            | 116           |
| Allstate Vehicle & Property Insurance Company-HO   | 8,103             | 116           |
| <b>Total</b>                                       | <b>32,236</b>     | <b>576</b>    |

Random sampling was made according to the NAIC Market Coordinators Handbook guidelines. Random sampling was used through ACL programming. Examination of the underwriting and rating files was performed to verify each Company's compliance with Delaware Statutes and Regulations, Insurance Department Bulletins and NAIC Market Regulation Handbook Standards Chapters 16 & 17.

The rate testing consisted of manual rating to ensure the amount of premium generated by their computer system was in accordance with each Company's filed and approved rates. This process involved the use of rating worksheets with algorithms matching the rating manuals. Due to the time-consuming nature of manually rating, the selections were reduced to 10 randomly selected Private Passenger Automobile policies and 10 randomly selected Homeowner's policies to be tested for rating accuracy. The Companies agreed that should there be any inconsistencies noted, additional policies could be requested for testing.

There were no exceptions noted in the PPA and HO review for this section.

### **Renewal Business Policies**

A listing of all Renewal business policies issued during the examination period was provided. Companies not shown for a specific line in the table below did have applicable renewal business during the examination period.

The following are populations and samples reviewed for each Company:

| <b>Company Name</b>                                | <b>Population</b> | <b>Sample</b> |
|--|-------------------|---------------|
| Allstate Indemnity Company-PPA                     | 486               | 86            |
| Allstate Indemnity Company-HO & Renters            | 837               | 130           |
| Allstate Insurance Company-PPA                     | 19,538            | 116           |
| Allstate Insurance Company-HO, Renters & Condos    | 18,936            | 116           |
| Allstate Property & Casualty Insurance Company-PPA | 28,762            | 116           |
| Allstate Vehicle & Property Insurance Company-HO   | 64                | 64            |
| <b>Total</b>                                       | <b>68,623</b>     | <b>628</b>    |



Random sampling was made according to the NAIC Market Coordinators Handbook guidelines using ACL programming. Examination of the underwriting and rating files was performed to verify each Company’s compliance with Delaware Statutes and Regulations, Insurance Department Bulletins and NAIC Market Regulation Handbook Standards Chapters 16 & 17.

The rate testing consisted of manual rating to ensure the amount of premium generated by their computer system was in accordance with each Company’s filed and approved rates. This process involved the use of rating worksheets with algorithms matching the rating manuals. Due to the time-consuming nature of manually rating, the selections were reduced to 10 Private Passenger Automobile policies and 10 Homeowners policies, based on their premium amount, to be tested for rating accuracy. The Companies agreed that should there be any inconsistencies noted, additional policies could be requested for testing.

There were no exceptions noted in the PPA and HO review for this section.

### Terminated Policies

A listing of all policies terminated during the examination period was provided. Companies not shown for a specific line in the table below did not have any applicable policies terminated during the examination period.

The following are populations and samples reviewed for each company:

| Company Name                                       | Population | Sample     |
|--|------------|------------|
| Allstate Indemnity Company-PPA                     | 35         | 35         |
| Allstate Indemnity Company-HO & Renters            | 23         | 23         |
| Allstate Insurance Company-PPA                     | 4          | 4          |
| Allstate Insurance Company-HO, Renters & Condos    | 240        | 84         |
| Allstate Property & Casualty Insurance Company-PPA | 209        | 84         |
| Allstate Vehicle & Property Insurance Company-HO   | 484        | 86         |
| <b>Total</b>                                       | <b>995</b> | <b>316</b> |

The following sections detail the PPA and HO Exceptions noted during the Terminated Policies review.

#### Private Passenger Automobile

#### **4 Exceptions - 18 Del. Code § 3905 (a) Cancellation or nonrenewal of automobile policy- Notice of cancellation or intention not to renew; notice of reasons.**

The AI was unable to provide a Proof of Mailing for one Private Passenger Automobile termination notice and the APCIC was unable to provide a Proof of Mailing for three Private Passenger Automobile termination notices.

#### **4 Exceptions - 18 Del. Code § 3905 (d) & (e) Cancellation or nonrenewal of automobile policy- Notice of cancellation or intention not to renew; notice of reasons.**

The AI sent three termination notices and AIC sent one termination notice that did not contain appropriate language related to the assigned risk plan and the named insured's right to apply to the Commissioner for a hearing.

*Recommendation:* It is recommended that the Companies provide additional training to ensure compliance with 18 Del. C. § 3905 (a), (d) & (e).

### Homeowners

#### **1 Exceptions - 18 Del. C. § 2304(2) Unfair methods of competition and unfair or deceptive acts or practices defined.**

AI, AIC and AVPIC sent a written termination notice to Homeowner's policyholders advising them that a \$10 fee was required when submitting an appeal to the Commissioner. This is incorrect. The \$10 fee requirement was eliminated in 2012. Each of the 193 sample files that were reviewed included the termination notice referenced above. AI sent 23, AIC sent 84 and AVPIC sent 86. This exception was noted in the full sample of 193 notices, however is considered a system error and will be considered one error for purposes of this report.

*Recommendation:* It is recommended that the Companies revise their notice to remove reference to that \$10 fee.

#### **154 Exceptions - 18 Del. C. § 4121 - Bulletin 21**

AI's 20, AIC's 59 and AVPIC's 75 termination notices advised the insured to contact his agent, or the FAIR Plan were not in 18-point type. A total of 193 notices were reviewed; 154 of these notices were not in the required 18-point type.

*Recommendation:* It is recommended that the Companies revise its notice to 18-point type.

#### **23 Exceptions - 18 Del. C. § 2702 "Policy" defined**

AI, AIC and AVPIC rejected 23 Homeowners applications and declined business but collected a premium and, according to the Company, provided coverage until the effective date on the cancellation notice. While the 23 applications were in underwriting and subsequently through the date noted through cancellation notice the Companies have indicated the consumers had the coverage for which they applied. Through the definition referenced, the consumers had a policy and coverage for that period, and as such should have received all of the disclosures required at the time the policy was issued. The required disclosure documents were not included and therefore the Companies are in violation of the following:

**18 Del. Admin. Code § 702-4.0 - Requirement of Disclosure**

**18 Del. Admin. Code § 702-5.1.1-5.1.5 – Content of Disclosure 5.0**

**18 Del. C. § 4140 Notice regarding deductibles**

The Companies contend that no policy was issued and therefore the disclosure documents are not required. At the same time, the Companies contend that consumers had coverage during the period between application date and date noted in the cancellation notice. It was also noted that in each

of these cases that a premium was collected upon application, and a pro-rata portion of that premium was retained for the period of time the Companies considered coverage to be in place.

During the course of the examination it was also noted that these 23 policies were included in the Companies' systems as "rejected" and as such, if a claim was made, the concern is that the claim would be denied. Therefore, it appears the Companies collect the pro-rata portion of the premiums paid with the application, but no additional policy disclosures or benefits are available during the time the consumer is being underwritten. There seems to be a gap in compliance regarding disclosures of deductibles and potential claim payments.

*Recommendation:* The Companies should revise their process and issue all applicants a new business packet at the time they receive a binder and policy number in order to be in compliance with 18 Del. C. § 2702 "Policy" defined, 18 Del. Admin. Code § 702-4.0 - Requirement of Disclosure, 18 Del. Admin. Code § 702-5.1.1-5.1.5 – Content of Disclosure 5.0 and 18 Del. C. § 4140 Notice regarding deductibles.

#### **14 Exceptions - 18 Del. C. § 2304(7) Unfair Methods of Competition**

AVPIC permitted appointed agents to sell ineligible Mobile Home policies (9) and ineligible Homeowner policies (5) where replacement cost coverage was in excess of \$1,000,000.00. The Company permitted premiums to be collected knowing that the policies were ineligible for coverage. Upon collecting a pro-rated premium for these policies, the Company then sent cancellation notices stating one of the following reasons:

"Your manufactured home is ineligible for this homeowner policy."

OR

"The Replacement Cost on your dwelling is greater than the \$1,000,000 maximum available coverage limit"

*Recommendation:* The Company should review its practices that allows the sale of policies where no such policy is available for sale within the Company. Agents should be advised to utilize technological resources available to review properties prior to writing policies. The Company must also perform a self-audit to include a full-year review of all cancellations to ensure no policies were cancelled because they were a Mobile Home or over \$1,000,000 to confirm the new guidelines are appropriately in place.

#### **Forms, Notices and Disclosures**

The Companies provided copies of its Automobile and Homeowner Forms, Endorsements, Notices and/or Disclosures issued to insureds and used during the examination period.

28 Automobile Forms and Endorsements were provided. All 28 Automobile Forms and Endorsements as well as 6 Notices and/or Disclosures were reviewed to verify their approval by the Delaware Department of Insurance.

99 Homeowner Forms and Endorsements were provided. All 99 Homeowner Forms and Endorsements as well as 9 Notices and/or Disclosures were reviewed to verify their approval by the Delaware Department of Insurance.

The following Exceptions were noted:

**9 Exceptions - 18 Del. C. § 2712 (a.) Filing of Forms**

AI did not file for approval from the Delaware Department of Insurance one Private Passenger Automobile, one Homeowner, and one Rental application and one Auto Declaration page. AIC did not file one Private Passenger Automobile, one Homeowner, one Rental, and one Condo Application and the AVPIC did not file one Homeowner application.

*Recommendation:* It is recommended that the Companies file their applications and declaration page to be in compliance with 18 Del. C. § 2712 (a.).

**1 Exception - 18 Del. Admin. C. § 702-4.0 - Requirement of Disclosure and 18 Del. Admin. C. § 702-5.1.1-5.1.5 – Content of Disclosure**

The AI, AIC and AVPIC Homeowner Disclosure form’s title “Important Information About Your Homeowners Insurance”, is not printed in at least 30 point-type nor is its text printed in at least 18 point-type where required. It also does not contain the required verbiage regarding disclosure of non-renewal practices. This is counted as one Exception, though each policy in the Sample was affected.

*Recommendation:* It is recommended that the Companies amend its Homeowners Disclosure notice to be in compliance with 18 Del. Admin. C. § 702-4.0 and 702-5.1.1-5.1.5.

## CLAIMS

The examination of Claims was conducted and performed to verify the four Companies’ compliance with Delaware Statutes and Regulations, Delaware Insurance Department Bulletins and the NAIC Market Regulation Handbook Standards in Chapters 16 & 17. The Companies were asked to provide a listing of all Private Passenger Automobile and Homeowners (including Renters and Condominium) claims received during the examination period of January 1, 2018, through December 31, 2020, along with relevant copies of all claim’s procedure manuals and reference and training materials. The examiners were allowed remote access to their Claims system to conduct the review.

A list of all licensed adjusters who are employees of the Company was requested and provided. Utilizing the list from the Department, no exceptions were noted during our review of claims.

The Companies provided sufficient proof that they are correctly reporting to their stat agent.

Copies of all newsletters, bulletins and similar communications regularly sent to claims adjusters were also requested and provided, as well as a list of all 3<sup>rd</sup> parties used in adjusting and handling of claims. Copies of all Delaware internal claim audit reports were also requested and provided in

partial response to Company Operations and Management. Our selective review of these did not reveal any significant issues.

The tables below provide the by-Company populations and sample sizes. Companies or Lines of Business not shown did not have any claims during the examination period.

### **Paid Claims**

A listing of all claims paid during the examination period was provided. Companies not shown for a specific line in the table below did not have paid claims for that line during the examination period. The following are populations and samples reviewed for each company:

| <b>Company Name</b>                                | <b>Population</b> | <b>Sample</b> |
|--|-------------------|---------------|
| Allstate Indemnity Company-PPA                     | 1,307             | 83            |
| Allstate Indemnity Company-HO & Renters            | 297               | 76            |
| Allstate Insurance Company-PPA                     | 2,155             | 105           |
| Allstate Insurance Company-HO, Renters & Condos    | 1,865             | 105           |
| Allstate Property & Casualty Insurance Company-PPA | 8,398             | 108           |
| Allstate Vehicle & Property Insurance Company-HO   | 1,043             | 105           |
| <b>Total</b>                                       | <b>15,065</b>     | <b>582</b>    |

The following sections detail the exceptions noted during the paid claims review.

### **Private Passenger Automobile**

#### **3 Exceptions - 18 Del. Admin. C. § 902 1.2.1.3 Prohibited Unfair Claim Settlement Practices**

AI failed to implement a prompt investigation of claims within 10 working days upon the Company's receipt of the loss in two claims.

APCIC failed to implement a prompt investigation within 10 working days upon the Company's receipt of the loss in one subrogation claim.

*Recommendation:* It is recommended that the Companies provide additional training to ensure compliance with 18 Del. Admin. C. § 902 1.2.1.3.

#### **3 Exceptions - 18 Del. Admin. C. § 902 1.2.1.5 Prohibited Unfair Claim Settlement Practices and 18 Del. C. § 2304 (16) n. Unfair claim settlement practices**

AI failed to affirm or deny coverage within 30 days after the proof of loss statements had been received and further failed to provide a reasonable explanation for a denial of coverage in two claims.

APCIC failed to affirm or deny coverage within 30 days after the proof of loss statement had been received and further failed to provide a reasonable explanation for the denial of coverage in one claim.

*Recommendation:* It is recommended that the Companies provide additional training to ensure compliance with 18 *Del. Admin. C.* § 902 1.2.1.5 and 18 *Del. C.* § 2304 (16) n.

### **11 Exceptions - 18 *Del. Admin. C.* § 902 1.2.1.6 Prohibited Unfair Claim Settlement Practices**

AI failed to attempt, in good faith, a prompt, fair and equitable settlement in claims where liability was clear in five claims.

AIC failed to attempt, in good faith, a prompt, fair and equitable settlement in claims where liability was clear in six claims.

*Recommendation:* It is recommended that the Companies provide additional training to ensure compliance with 18 *Del. Admin. C.* § 902 1.2.1.6.

### **16 Exceptions - 18 *Del. C.* § 2104 4.1 Written Notice by Insurers of Payment of Third-Party Claims.**

AI failed to send a written notice of payment to the third-party claimant when the settlement payment was greater than \$5,000 in two claims.

AIC failed to send a written notice of payment to the third-party claimant when the settlement payment was greater than \$5,000 in five claims.

APCIC failed to send a written notice of payment to the third-party claimant when the settlement payment was greater than \$5,000 in nine claims.

*Recommendation:* It is recommended that the Companies provide additional training to ensure compliance with 18 *Del. C.* § 2104 4.1.

### **11 Exceptions - 21 *Del. C.* § 2512 (a) Transfer for salvage**

AI failed to send the certificate of title for the vehicle to the Department of Motor Vehicles within 30 days from the settlement with the vehicle owner and further failed to provide the Department of Motor Vehicles MRV Form 347. This resulted in the consumer paying the full title document fee, which should have been reduced due to the change of classification in four claims

AIC failed to send the certificate of title for the vehicle to the Department of Motor Vehicles within 30 days from the settlement with the vehicle owner and further failed to provide the Department of Motor Vehicles MRV Form 347. This results in the vehicle owner having to pay a higher title document fee when replacing the vehicle in five claims.

APCIC failed to send the certificate of title for the vehicle to the Department of Motor Vehicles within 30 days from the settlement with the vehicle owner and further failed to provide the Department of Motor Vehicles MRV Form 347. This results in the vehicle owner having to pay a higher title document fee (tax) when replacing the vehicle, in two claims.



*Recommendation:* It is recommended that the Companies provide additional training to ensure compliance with 21 *Del. C. § 2512 (a)*.

### **Homeowners**

#### **3 Exceptions - 18 *Del. Admin. C. § 902 1.2.1.1 Prohibited Unfair Claim Settlement Practices***

AI misrepresented pertinent facts and/or policy provisions that related to the coverage at issue in two claims. In one claim, the insured was told she had to repair her roof as required by “your department of insurance”. There is no such requirement by the Delaware Department of Insurance. In the other claim, the company applied depreciation to the claim and reduced the payment accordingly. While the amount was both permissible and material, the Company did not explain the depreciation to the insured.

AIC misrepresented pertinent facts and/or policy provisions that related to the coverage at issue in one claim. The company applied depreciation to the claim and reduced the payment accordingly. While the amount was both permissible and material, the Company did not explain the depreciation to the insured *Recommendation:* It is recommended that the Companies provide additional training to ensure compliance with 18 *Del. Admin. C. § 902 1.2.1.1*.

#### **8 Exceptions - 18 *Del. Admin. C. § 902 1.2.1.3 Prohibited Unfair Claim Settlement Practices***

AI failed to implement a prompt investigation of claims within 10 working days upon the Company’s receipt of the loss in two claims.

AIC failed to implement a prompt investigation of claims within 10 working days upon the Company’s receipt of the loss in four claims.

AVPIC failed to implement a prompt investigation of claims within 10 working days upon the Company’s receipt of the loss in two claims.

*Recommendation:* It is recommended that the Companies provide additional training to ensure compliance with 18 *Del. Admin. C. § 902 1.2.1.3*.

#### **5 Exceptions - 18 *Del. Admin. C. § 902 1.2.1.6 Prohibited Unfair Claim Settlement Practices***

AI failed to attempt, in good faith, a prompt, fair and equitable settlement in claims where liability was clear in three claims.

AIC failed to attempt, in good faith, a prompt, fair and equitable settlement in the claim where liability was clear in one claim.

AVPIC failed to attempt, in good faith, a prompt, fair and equitable settlement in the claim where liability was clear in one claim.

*Recommendation:* It is recommended that the Companies provide additional training to ensure compliance with 18 *Del. Admin. C. § 902 1.2.1.6*.

### Closed Without Payment (CWP) Claims

A listing of all claims closed without payment during the examination period was provided. Companies not shown for a specific line in the table below did process any CWP claims for that line during the examination period. The following are populations and samples reviewed for each company:

| Company Name                                       | Population   | Sample     |
|--|--------------|------------|
| Allstate Indemnity Company-PPA                     | 448          | 82         |
| Allstate Indemnity Company-HO & Renters            | 125          | 76         |
| Allstate Insurance Company-PPA                     | 734          | 82         |
| Allstate Insurance Company-HO, Renters & Condos    | 525          | 105        |
| Allstate Property & Casualty Insurance Company-PPA | 5,808        | 108        |
| Allstate Vehicle & Property Insurance Company-HO   | 566          | 105        |
| <b>Total</b>                                       | <b>8,206</b> | <b>558</b> |

### 1 Exception - 18 *Del. Admin. C. § 902 1.2.1.5* Prohibited Unfair Claim Settlement Practices

AI failed to send the denial letter within 30 days. This claim was entered into their system as a CWP.

*Recommendation:* It is recommended that the Company provide additional training to ensure compliance with 18 *Del. Admin. C. § 902 1.2.1.5*.

### Denied Claims

A listing of all claims denied during the examination period was provided. Companies not shown for a specific line in the table below did deny any claims for that line during the examination period. The following are populations and samples reviewed for each company:

| Company Name                                       | Population   | Sample     |
|--|--------------|------------|
| Allstate Indemnity Company-PPA                     | 52           | 52         |
| Allstate Indemnity Company-HO & Renters            | 75           | 75         |
| Allstate Insurance Company-PPA                     | 29           | 29         |
| Allstate Insurance Company-HO, Renters & Condos    | 323          | 76         |
| Allstate Property & Casualty Insurance Company-PPA | 355          | 82         |
| Allstate Vehicle & Property Insurance Company-HO   | 261          | 76         |
| <b>Total</b>                                       | <b>1,095</b> | <b>390</b> |

The following sections detail the exceptions noted during the denied claims review.



### **Private Passenger Automobile**

#### **19 Exceptions - 18 Del. Admin. C. § 902 1.2.1.5 Prohibited Unfair Claim Settlement Practices and 18 Del. C. § 2304 (16) n. Unfair claim settlement practices**

AI failed to advise the claimant or the person presenting the claim in writing of the disposition or to provide a denial notice in five claims and failed to provide notice of acceptance or denial status within 30 days for two other claims.

AIC failed to advise the claimant in writing of a denial or to provide a denial notice in two claims.

APCIC failed to advise the claimant or the person presenting the claim in writing of the disposition or to provide a denial notice in ten claims.

*Recommendation:* It is recommended that the Companies provide additional training to ensure compliance with 18 Del. Admin. C. § 902 1.2.1.5 and 18 Del. C. § 2304 (16) n.

### **Homeowners**

#### **13 Exceptions - 18 Del. Admin. C. § 902 1.2.1.5 Prohibited Unfair Claim Settlement Practices and 18 Del. C. § 2304 (16) n. Unfair claim settlement practices**

AI failed to advise the claimant in writing of a denial or to provide a denial notice in four claims or failed to send the denial letter within 30 days for one other claim.

AIC failed to advise the claimant in writing of a denial or to provide a denial notice in three claims.

AVPIC failed to advise the claimant in writing of a denial or to provide a denial notice in five claims.

*Recommendation:* It is recommended that the Companies provide additional training to ensure compliance with 18 Del. Admin. C. § 902 1.2.1.5 and 18 Del. C. § 2304 (16) n.

## CONCLUSION

The recommendations made below identify corrective measures the Department finds necessary as a result of the Exceptions noted in the Report. Location in the Report is referenced in parenthesis.

1. It is recommended that the Companies provide additional training to ensure compliance with 18 *Del. C.* §3905 (a), (d) & (e). (Underwriting and Rating)
2. It is recommended that the Companies revise their notice to remove reference to that \$10.00 fee to ensure compliance with 18 *Del. C.* §2304 (2). (Underwriting and Rating)
3. It is recommended that the Company revise their notice to 18-point type to be in compliance with 18 *Del. C.* § 4121 - Bulletin 21. (Underwriting and Rating)
4. It is recommended the Companies revise their process and issue all applicants a new business packet at the time they receive a binder and policy number in order to be in compliance with, 18 *Del. Admin. Code* § 702-4.0 - Requirement of Disclosure, 18 *Del. Admin. Code* § 702-5.1.1-5.1.5 – Content of Disclosure 5.0 and 18 *Del. C.* § 4140 Notice regarding deductibles. (Underwriting and Rating)
5. It is recommended The Company should review its practices that allows the sale of policies where no such policy is available for sale within the Company. Agents should be advised to utilize technological resources available to review properties prior to writing policies. The Company must also perform a self-audit to include a full-year review of all cancellations to ensure no policies were cancelled because they were a Mobile Home or over \$1,000,000 to confirm the new guidelines are appropriately in place and thus comply with 18 *Del. C.* § 2304(7) Unfair Methods of Competition (Underwriting and Rating)
6. It is recommended that the Companies file their applications and declaration page to be in compliance with 18 *Del. C.* § 2712 (a.) (Underwriting and Rating)
7. It is recommended that the Companies amend their Homeowners Disclosure notice to be in compliance with 18 *Del. Admin. C.* § 702-4.0 & 702-5.1.1-5.1.5. (Underwriting and Rating)
8. It is recommended that the Companies provide additional training to ensure compliance with 18 *Del. Admin. C.* § 902 1.2.1.3. (Claims)
9. It is recommended that the Companies provide additional training to ensure compliance with 18 *Del. Admin. C.* § 902 1.2.1.5 and 18 *Del. C.* § 2304 (16) n. (Claims)
10. It is recommended that the Companies provide additional training to ensure compliance with 18 *Del. Admin. C.* § 902 1.2.1.6. (Claims)
11. It is recommended that the Companies provide additional training to ensure compliance with 18 *Del. C.* § 2104 4.1. (Claims)
12. It is recommended that the Companies provide additional training to ensure compliance with 21 *Del. C.* § 2512 (a). (Claims)
13. It is recommended that the Companies provide additional training to ensure compliance with 18 *Del. C.* § 3902 (2). (Claims)
14. It is recommended that the Companies provide additional training to ensure compliance with 18 *Del. Admin. C.* § 902 1.2.1.1. (Claims)

The examination conducted by Joe Krug, Mark Plesha, Karen Gerber, Steve Misenheimer and Jack Rucidlo is respectfully submitted.



Mark Plesha, CPCU, AIE, MCM, CWCP,  
AIS, IR  
Examiner-in-Charge  
Market Conduct  
Delaware Department of Insurance

I, Mark Plesha, hereby verify and attest, under oath, that the above is a true and correct copy of the examination report and findings of the market conduct examination submitted to the Delaware Department of Insurance pursuant to examination authority 19240-21-702, 19232-21-703, 17230-21-704 and 37907-21-705.



Mark Plesha, CPCU, AIE, MCM, CWCP,  
AIS, IR