REPORT ON

MARKET CONDUCT EXAMINATION

of the

ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY

Northbrook, Illinois

BY REPRESENTATIVES OF THE

NORTH CAROLINA DEPARTMENT OF INSURANCE

as of

July 25, 2011
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Honorable Jack Messmore  
Acting Director of Insurance  
Illinois Department of Insurance  
State of Illinois  
320 W. Washington St.  
Springfield, Illinois 62767-0001

Honorable Wayne Goodwin  
Commissioner of Insurance  
Department of Insurance  
State of North Carolina  
Dobbs Building  
430 N. Salisbury Street  
Raleigh, North Carolina 27603

Honorable Commissioners:

Pursuant to your instructions and in accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131, a general examination has been made of the market conduct activities of

ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY (NAIC #17230)  
NAIC Exam Tracking System Exam Number: NC170-M75  
Springfield, Illinois

hereinafter generally referred to as the Company, located at the Company’s claims office located at 3150 Spring Forest Road, Raleigh, North Carolina and at the North Carolina Department of Insurance (Department) office located at 11 S. Boylan Avenue, Raleigh, North Carolina. A report thereon is respectfully submitted.
FOREWORD

This examination reflects the North Carolina insurance activities of Allstate Property and Casualty Insurance Company. The examination is, in general, a report by exception. Therefore, much of the material reviewed will not be contained in this written report, as reference to any practices, procedures, or files that manifested no improprieties were omitted.

SCOPE OF EXAMINATION

This examination commenced on April 4, 2011 and covered the period of January 1, 2007 through December 31, 2009 with analyses of certain operations of the Company being conducted through July 25, 2011. All comments made in this report reflect conditions observed during the period of the examination.

The examination was arranged and conducted by the Department. It was made in accordance with Market Regulation standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC) and accordingly included tests of policyholder treatment, marketing, underwriting practices, terminations and claims practices.

It is the Department’s practice to cite companies in apparent violation of a statute or rule when the results of a sample show errors/noncompliance at or above the following levels: 0 percent for consumer complaints, sales and advertising, producers who were not appointed and/or licensed and the use of forms and rates/rules that were neither filed with nor approved by the Department; 7 percent for claims; and 10 percent for all other areas reviewed. When errors are detected in a sample, but the error rate is below the applicable threshold for citing an apparent violation, the Department issues a reminder to the company.
EXECUTIVE SUMMARY

This market conduct examination revealed concerns with Company procedures and practices in the following areas:

Consumer Complaints – complaints not listed on the company’s complaint register, response time to Departmental inquiries, NAIC company code was not included on Company response.

Policy Forms and Filings – unfiled application, consent to rate form and termination notice.

Underwriting and Rating – applications accepted from a producer who was not appointed, signed consent to rate forms not in file and rating errors for private passenger automobile.

Terminations – proper notification not given.

Specific violations related to each area of concern are noted in the appropriate section of this report. All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be viewed on the North Carolina Department of Insurance Web site www.ncdoi.com by clicking “NCDOI DIVISIONS” then “Legislative Services”.

This examination identified various non-compliant practices, some of which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business in North Carolina according to its insurance laws and regulations. When applicable, corrective action for other jurisdictions should be addressed.

All unacceptable or non-compliant practices may not have been discovered or noted in this report. Failure to identify or criticize improper or non-compliant business practices in North Carolina or in other jurisdictions does not constitute acceptance of such practices. Examination report findings that do not reference specific insurance laws, regulations, or bulletins are presented to improve the Company’s practices and ensure consumer protection.
COMPANY OVERVIEW

History and Profile

Allstate Property and Casualty Insurance Company was incorporated on February 14, 1985 under the laws of Illinois and commenced business on April 1, 1985. The Company is a wholly owned subsidiary of Allstate Insurance Company, which in turn is owned by Allstate Insurance Holdings, LLC, a Delaware limited liability company.

Company Operations and Management

The Company is a writer of private passenger automobile insurance and opened for new business in North Carolina in January 2007. The Company is licensed in the District of Columbia and all states except Hawaii, Massachusetts and New Jersey.

Direct written premium for the Company's 2009 countrywide property and casualty operations was $4,936,409,391. North Carolina’s production for the same period was $117,581,300. Premiums written in North Carolina between 2007 and 2009 increased approximately 235.2 percent. The charts below outline the Company’s mix of business for selected lines in 2009 and loss ratios in North Carolina for the examination period.

<table>
<thead>
<tr>
<th>Line of Business</th>
<th>Written Premium</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Passenger Automobile Liability</td>
<td>$67,440,642</td>
<td>57.4</td>
</tr>
<tr>
<td>Private Passenger Automobile Physical Damage</td>
<td>$50,140,658</td>
<td>42.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$117,581,300</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Written Premium</th>
<th>Earned Premium</th>
<th>Incurred Losses*</th>
<th>Loss Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$35,081,352</td>
<td>$22,963,889</td>
<td>$17,611,556</td>
<td>76.7</td>
</tr>
<tr>
<td>2008</td>
<td>$77,410,097</td>
<td>$67,905,707</td>
<td>$48,725,298</td>
<td>71.8</td>
</tr>
<tr>
<td>2009</td>
<td>$117,581,300</td>
<td>$107,720,110</td>
<td>$71,616,460</td>
<td>66.5</td>
</tr>
</tbody>
</table>

* Does not include IBNRs
Certificates of Authority

The Certificates of Authority issued to the Company were reviewed for the period under examination. These certificates were reviewed to determine compliance with the provisions of NCGS 58-7-15. The Company’s writings in North Carolina were deemed to be in compliance with the authority granted.

Disaster Recovery Procedures

The Company’s Business Continuity Planning Team has developed comprehensive standards to ensure that consistent and thorough plans are developed for the recoverability of the business unit’s work-areas as well as the technology which supports critical business processes in the event of disaster. The standards cover all portions of disaster recovery planning and related environments within Allstate or operated or contracted with a third party by Allstate.

The backup and storage of electronic media, tapes, disks, etc. in a secure off-site location ensures that critical information is available and recoverable in the event of the unavailability of an Allstate data processing facility.

All disaster recovery plans must be reviewed, at a minimum, annually. Updates must be performed sooner if technology components, personnel, or recovery strategies have changed.

Rate Evasion Procedures

The Company has established procedures to address nonfleet private passenger automobile insurance rate evasion fraud by identifying any ineligible risk as defined in NCGS 58-37-1(4a) and verifying residency of the policyholder who owns a motor vehicle registered or principally garaged in North Carolina. The Company was found to be in compliance with the provisions of NCGS 58-2-164.
POLICYHOLDER TREATMENT

Consumer Complaints

The Company’s complaint handling procedures were reviewed to determine compliance with applicable North Carolina statutes and rules.

The Company’s complaint register was reconciled with a listing furnished by the Consumer Services Division of the Department. The Company was deemed to be in apparent violation of the provisions of Title 11 of the North Carolina Administrative Code, (NCAC), Chapter 19, Section 0103 as 1 complaint (2.0 percent error ratio) was not listed on the Company’s complaint register.

Fifty of the 92 complaints from the Department’s listing were randomly selected and received for review. The distribution of complaints requiring a response to the Department is shown in the chart below.

<table>
<thead>
<tr>
<th>Type of Complaint</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underwriting</td>
<td>33</td>
</tr>
<tr>
<td>Administrative</td>
<td>10</td>
</tr>
<tr>
<td>Claims</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
</tr>
</tbody>
</table>

The Company’s response to each complaint was deemed to be appropriate to the circumstances. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 1.0602 as 9 of the complaints reviewed (18.0 percent error ratio) were responded to in excess of the 7 calendar day requirement of this rule.

The Company was deemed to be in apparent violation of the provisions of 11 NCAC 4.0123 as 3 responses to Departmental inquiries (6.0 percent error ratio) did not contain the Company’s NAIC company code.

The average service time to respond to a Departmental complaint was 8 calendar days. A chart of the Company’s response time follows:
<table>
<thead>
<tr>
<th>Service Days</th>
<th>Number of Files</th>
<th>Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 7</td>
<td>27</td>
<td>54.0</td>
</tr>
<tr>
<td>8 - 14</td>
<td>19</td>
<td>38.0</td>
</tr>
<tr>
<td>15 - 21</td>
<td>4</td>
<td>8.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Privacy of Financial and Health Information

The Company provided privacy of financial and health information documentation for the examiners’ review. The Company exhibited policies and procedures in place so that nonpublic personal financial or health information is not disclosed unless the customer or consumer has authorized the disclosure. The Company was found to be compliant with the provisions of NCGS 58-39-25, 58-39-26, and 58-39-27.

MARKETING

Policy Forms and Filings

Policy forms and filings for the Company were reviewed to determine compliance with appropriate North Carolina statutes and rules. Filings for the private passenger automobile line of business were made by the North Carolina Rate Bureau on behalf of the Company. Deviations for this line of business were made to the Department by the Company.

The Company was deemed to be in apparent violation of the provisions of NCGS 58-3-150 and 11 NCAC 10.1201(c) as the private passenger automobile application being used was not the application that was filed with and approved by the Commissioner. The Company was deemed to be in apparent violation of the provisions of NCGS 58-3-150 and 11 NCAC 10.0602 as the private passenger automobile consent to rate form being used was not the form that was filed with and approved by the Commissioner. The Company was deemed to be in apparent violation of the provisions of NCGS 58-3-150 and 58-36-85(c) as the Notice of Termination had not been filed with and approved by the Commissioner.
Sales and Advertising

Sales and advertising practices of the Company were reviewed to determine compliance with the provisions of NCGS 58-63-15.

The Company creates a range of advertising material that it makes available to its agents to order through a repository of all ads for print and broadcast media called Co-op Build an Ad Site. Agents go to the site, select the product line, ad message (headline and body copy) and customize their own ads using the Allstate brand. Agents are not allowed to create their own ads using the Allstate brand. Agents must use the Allstate approved materials.

The examiners reviewed advertisements, producer marketing solicitation kits, telemarketing scripts, bulletins and brochures that are provided for promotional use. The Company also maintains an internet site: www.allstate.com. The website provides background information relative to its operations, as well as products and services offered.

No unfair or deceptive trade practices were noted in this segment of the examination.

Producer Licensing

The Company’s procedures for appointment and termination of its producers were reviewed to determine compliance with the appropriate North Carolina statutes and rules. Fifty appointed and 50 terminated producer files were randomly selected and received for review from populations of 2,520 and 1,102, respectively.

All appointment forms reviewed were submitted to the Department in accordance with the timetables stipulated under the provisions of NCGS 58-33-40. The Company was reminded of the provisions of 11 NCAC 19.0102 (a) and 19.0106(a)(3)(h) as confirmation of termination was not provided for 1 producer reviewed (2 percent error ratio). The Company was reminded of the provisions of NCGS 58-33-56(d) as the notification of termination letter was not sent to 2 producers reviewed (4 percent error ratio).
Agency Management

The marketing effort in North Carolina is under the direction of the Regional Marketing Senior Manager located at the regional office in Atlanta, Georgia. The Company has 342 active agencies with approximately 987 producers appointed in North Carolina as well as 1 full time marketing representative.

The Territorial Sales Leader, located at the Allstate office in Greensboro, North Carolina, is responsible for the activities of the agency force as well as agent appointments, terminations and licensing. Formal agency reviews are conducted annually by the Field Sales Leaders.

UNDERWRITING PRACTICES

Overview

The Company’s marketing philosophy in North Carolina focuses on the private passenger automobile line of business. The Company’s private passenger automobile policies were reviewed for adherence to underwriting guidelines, file documentation and premium determination. Additionally, the policies were examined to determine compliance with the appropriate North Carolina statutes and rules, policy provisions and the applicable policy manual rules.

Private Passenger Automobile

The Company provided a listing of 94,726 active private passenger automobile policies issued during the period under examination. One hundred policies were randomly selected and received for review.

The Company’s private passenger automobile policies were written on a 6 or 12 month basis. Liability coverages were written utilizing manual rates. Physical damage coverages were written using both manual rates and on a consent to rate basis. Risk placement was determined by the Company’s underwriting guidelines and the underwriter. No discrepancies were noted in the Company’s use of its underwriting guidelines.
The Company was deemed to be in apparent violation of the provisions of NCGS 58-33-40 as 3 applications reviewed (3.0 percent error ratio) were accepted from a producer who was not appointed.

The Company was deemed to be in apparent violation of the provisions of NCGS 58-36-30(a) and 58-37-35(l) as 28 policies reviewed (28.0 percent error ratio) contained multiple rating errors. The rating errors consisted of the following:

- Incorrect company deviations were applied on 14 policies.
- Incorrect territory was used to rate 9 policies.
- Combined Uninsured/Underinsured Motorist coverage was provided on 3 policies that were not eligible.
- Incorrect Safe Driver Incentive Plan Points were applied on 3 policies.
- Vehicles were classified incorrectly on 1 policy.
- Multi-car discount was applied on 1 policy that was not eligible.
- Inexperienced Operator Surcharge was not applied on 1 policy.
- Comprehensive premium was calculated incorrectly on 1 policy.
- Disability Income Protection coverage was calculated incorrectly on 1 policy.

The rating errors resulted in 15 premium undercharges and 9 premium overcharges to the insureds. At the request of the examiners, refunds in the amount of $368.94 were issued by the Company for the overcharges. The remaining premiums charged were deemed correct.

The Company was deemed to be in apparent violation of the provisions of 11 NCAC 10.0602(a) as 10 files reviewed (10.0 percent error ratio) did not contain a copy of the signed consent to rate form for physical damage coverages. The Company was reminded of the provisions of 11 NCAC 19.0102(a)(b), 19.0104 and 19.0106 (a)(4)(g) as 4 files reviewed (4.0 percent error ratio) did not contain proper file documentation.
TERMINATIONS

Overview

The Company’s termination procedures for its private passenger automobile policies were reviewed to determine compliance with the appropriate North Carolina statutes and rules, policy provisions and the applicable policy manual rules. Special attention was placed on the validity and reason for termination, timeliness in issuance of the termination notice, policy refund (where applicable) and documentation of the policy file. A total of 41,319 policies were terminated during the period under examination. The examiners randomly selected 128 terminations for review.

Private Passenger Automobile Cancellations

One hundred cancelled private passenger automobile policies were randomly selected and received for review from a population of 41,291.

The reason for cancellation was deemed valid for all policies reviewed. The review revealed the following reasons for cancellation:

<table>
<thead>
<tr>
<th>Reason for Cancellation</th>
<th>Number of Policies</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonpayment of premium</td>
<td>48</td>
<td>48.0</td>
</tr>
<tr>
<td>Insured’s request</td>
<td>42</td>
<td>42.0</td>
</tr>
<tr>
<td>Finance company request</td>
<td>9</td>
<td>9.0</td>
</tr>
<tr>
<td>Rewritten</td>
<td>1</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

The Company was not required to issue cancellation notices for 43 of the cancellations reviewed as these policies were cancelled at the request of the insured or coverage was rewritten.

The Company was reminded of the provisions of NCGS 58-36-30(a) and Rule 10 of the North Carolina Personal Automobile Manual as 3 policies reviewed (3.0 percent error ratio) were cancelled using an incorrect cancellation method. Two of the errors resulted in overstatement of refund and 1 error resulted in an understatement of refund to the insureds. At
the request of the examiners, the Company issued an additional refund in the amount of $9.43. The remaining premium refunds were deemed correct. The Company issued refunds in a timely manner.

The Company was reminded of the provisions of NCGS 58-35-85(1)(2) as 8 policies reviewed (8.0 percent error ratio) contained no documentation verifying that the premium finance company notified the insured not less than 10 days prior to cancellation of coverage or sent the insurer a request for cancellation.

The Company was reminded of the provisions of NCGS 58-36-85(b)(3) as 6 policies reviewed (6.0 percent error ratio) contained no documentation verifying that the insured requested cancellation of the policy.

The Company was reminded of the provisions of NCGS 20-309 as the North Carolina Notice of Termination form (FS-4) was not submitted to the North Carolina Division of Motor Vehicles (DMV) when liability coverages were cancelled for 7 policies reviewed (7.0 percent error ratio).

The remaining policy files reviewed contained sufficient documentation to support action taken by the Company.

Private Passenger Automobile Nonrenewals

The entire population of 28 nonrenewed private passenger automobile policies was selected and received for review.

The reason for nonrenewal was deemed valid for all policies reviewed. The review revealed the following reasons for nonrenewal:

<table>
<thead>
<tr>
<th>Reason for Nonrenewal</th>
<th>Number of Policies</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underwriting reasons</td>
<td>24</td>
<td>85.7</td>
</tr>
<tr>
<td>Risk no longer eligible</td>
<td>4</td>
<td>14.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>28</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
The nonrenewal notices for the policies reviewed stated the specific reason for nonrenewal. The Company was deemed to be in apparent violation of the provisions of NCGS 58-36-85(c) as the notice of nonrenewal was not issued at least 60 days prior to the termination date for 3 policies reviewed (10.7 percent error ratio). The Company was reminded of the provisions of NCGS 58-36-85(b) as the notice of nonrenewal was not issued in writing for 1 policy reviewed (3.6 percent error ratio).

The final area of this review encompassed documentation of the policy file. The Company sent the FS-4 to the DMV when liability coverages were nonrenewed. The Company was deemed to be in compliance with the provisions of NCGS 20-309.

Declinations/Rejections

The Company reported coverage is bound at point of sale so they do not decline or reject.

CLAIMS PRACTICES

Overview

The Company’s claims practices were reviewed to determine compliance with the appropriate North Carolina statutes and rules and policy provisions. The review encompassed paid, automobile medical payment, first and third party bodily injury, closed without payment, subrogated, total loss settlement and litigated claims.

Claims service in North Carolina is under the direction of the Claim Field Director located in Atlanta, Georgia and is provided from four Market Claims Offices (MCO) in North Carolina. The combined staff for the four offices is comprised of the 4 market claim managers, 9 team leaders, 32 claim managers, 253 claim adjusters, 278 claim processors and 36 clerical/administrative personnel.

Company adjusters and independent adjusters (Auto Field Inspections) provide the claims service. Independent adjusters have no check or draft authority. The Company agency
force does not adjust any claims and does not have claims draft authority. With regard to total losses, a salvage log is maintained by the Carolina Auto MCO leadership.

Five hundred thirty-seven claims were randomly selected for review from a population of 68,504.

Paid Claims

The examiners randomly selected and received 200 of the 29,130 first party automobile physical damage and third party property damage claims paid during the period under examination. The claim files were reviewed for timeliness of payment, supporting documentation and accuracy of payment.

The following types of claims were reviewed and the average payment time is noted in calendar days:

<table>
<thead>
<tr>
<th>Type of Claim</th>
<th>Payment Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobile physical damage</td>
<td>20.0</td>
</tr>
<tr>
<td>Third party property damage</td>
<td>24.0</td>
</tr>
</tbody>
</table>

All payments issued by the Company were deemed to be accurate. Deductibles were correctly applied and depreciation taken was reasonable.

All claim files reviewed contained documentation to support the Company's payments. The documentation consisted of appraisals, estimates, repair bills, or inventory listings.

First party claims were not investigated in a timely manner for 2 claims (2.0 percent error ratio). First party claims were not appraised in a timely manner for 1 claim (1.0 percent error ratio). First party claims were not paid in a timely manner for 3 claims (3.0 percent error ratio). Third party claims were not investigated in a timely manner for 2 claims (2.0 percent error ratio). Third party claims were not appraised in a timely manner for 1 claim (1.0 percent error ratio). Third party claims were not paid in a timely manner for 1 claim (1.0 percent error ratio).
This matter could result in an apparent violation of the provisions of NCGS 58-63-15(11) if the occurrence is of such frequency as to be considered a general business practice.

Automobile Medical Payment Claims

Fifty automobile medical payment claims were randomly selected and received for review from a population of 2,644. The claim files were reviewed to determine if the Company had engaged in any unfair claims practices. An emergency room bill was not paid for 1 claim (2.0 percent error ratio). At the request of the examiners, the medical provider was issued payment in the amount of $205.00. This matter could result in an apparent violation of the provisions of NCGS 58-63-15(11) and 11 NCAC 4.0421(1) if the occurrence is of such frequency as to be considered a general business practice.

First and Third Party Bodily Injury Claims

Fifty first and third party bodily injury claims were randomly selected and received for review from a population of 4,908. The claim files were reviewed to determine whether the Company had engaged in any unfair claims practices. The review of first and third party bodily injury claims disclosed no apparent violations of the provisions of NCGS 58-63-15.

Closed Without Payment Claims

One hundred closed without payment claims were randomly selected and received for review from a population of 27,329. The claim files were reviewed to determine if the Company's reasons for closing the claims without payment were valid.

The claim files reviewed contained documentation that supported the Company's reasons for closing the claims without payment. All reasons for denial or closing the files without payment were deemed valid. Claims were denied on an average of 14 calendar days for the 3-year period. The review of closed without payment claims disclosed no apparent violations of the provisions of NCGS 58-63-15.
Subrogated Claims

Fifty subrogated claims were randomly selected and received for review from a population of 548. The claim files were reviewed to determine if the insured’s deductible was properly reimbursed by the Company when subrogation was successful.

The insured’s deductible was not reimbursed in a timely manner for 1 claim (2.0 percent error ratio). This matter could result in an apparent violation of the provisions of NCGS 58-63-15(11) if the occurrence is of such frequency as to be considered a general business practice.

The remaining reimbursements were deemed to be correct and were issued on an average of 1 calendar day from the date the Company collected the monies.

Total Loss Settlement Claims

Fifty total loss settlement claims were randomly selected and received for review from a population of 3,908. The claim files were reviewed to determine if the settlements were equitable and timely.

The Company primarily used CCC Information Services, Inc. in addition to independent adjusters to establish the actual cash value of totaled vehicles. All settlements were deemed equitable.

Claims were not investigated in a timely manner for 1 claim (2.0 percent error ratio). Claims were not appraised in a timely manner for 1 claim (2.0 percent error ratio). This matter could result in an apparent violation of the provisions of NCGS 58-63-15(11) if the occurrence is of such frequency as to be considered a general business practice.

The Company settled all remaining claims in a timely manner. The payments were issued on a 3-year average of 29 calendar days. No apparent violations of the provisions of 11 NCAC 4.0418 or 4.0421 were noted during the review.
Litigated Claims

The entire population of 37 litigated claims was selected and received for review. The claim files were reviewed to determine if the Company had engaged in any unfair claims practices. Claims were not investigated in a timely manner for 1 claim (2.7 percent error ratio). This matter could result in an apparent violation of the provisions of NCGS 58-63-15(11) if the occurrence is of such frequency as to be considered a general business practice.

SUMMARY

The Market Conduct examination revealed the following:

1. Policyholder Treatment
   a. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 19.0103 as 2.0 percent of the consumer complaints were not listed on the Company’s complaint register.
   b. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 1.0602 as the responses to 18.0 percent of the Departmental inquiries reviewed were in excess of the 7 calendar day requirement of this rule.
   c. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 4.0123 as the responses to 6.0 percent of the Departmental inquiries reviewed did not include its National Association of Insurance Commissioners code.

2. Marketing
   a. The Company was deemed to be in apparent violation of the provisions of NCGS 58-3-150 and 11 NCAC 10.1201(c) as the private passenger automobile application being used was not the application that was filed with and approved by the Commissioner.
   b. The Company was deemed to be in apparent violation of the provisions of NCGS 58-3-150 and 11 NCAC 10.0602 as the private passenger automobile consent to rate form being used was not the form that was filed with and approved by the Commissioner.
   c. The Company was deemed to be in apparent violation of the provisions of NCGS 58-3-150 and 58-36-85(c) as the Notice of Termination had not been filed with and approved by the Commissioner.
   d. The Company was reminded of the provisions of 11 NCAC 19.0102(a) and 19.0106(a)(3)(h) as confirmation of termination was not provided to the Department for 2.0 percent of terminated producers reviewed.
e. The Company was reminded of the provisions of NCGS 58-33-56(d) as notification of termination was not sent to 4.0 percent of the terminated producers reviewed.

3. **Underwriting and Rating**

a. The Company was deemed to be in apparent violation of the provisions of NCGS 58-33-40 as 3.0 percent of the private passenger automobile applications reviewed were accepted from a producer who was not appointed.

b. The Company was deemed to be in apparent violation of the provisions of NCGS 58-36-30(a) and 58-37-35(l) as 28.0 percent of the active private passenger automobile policies reviewed were rated incorrectly.

c. The Company was deemed to be in apparent violation of the provisions of 11 NCAC 10.0602(a) as 10.0 percent of the active private passenger automobile files reviewed did not contain a copy of the signed consent to rate form for physical damage coverages.

d. The Company was reminded of the provisions of 11 NCAC 19.0102(a)(b), 19.0104, and 19.0106(a)(4)(h) as 4.0 percent of the active private passenger automobile files reviewed did not contain proper file documentation.

4. **Terminations**

a. The Company was reminded of the provisions of NCGS 58-36-30(a) and Rule 10 of the North Carolina Personal Automobile Manual as 3.0 percent of the cancelled private passenger automobile policies reviewed were cancelled using an incorrect cancellation method.

b. The Company was reminded of the provisions of NCGS 58-35-85(1)(2) as 8.0 percent of the cancelled private passenger automobile files reviewed contained no documentation verifying that the premium finance company notified the insured not less than 10 days prior to cancellation of coverage or sent the insurer a request for cancellation.

c. The Company was reminded of the provisions of NCGS 58-36-85(b)(3) as 6.0 percent of the cancelled private passenger automobile files reviewed contained no documentation verifying that the insured requested cancellation of the policy.

d. The Company was reminded of the provisions of NCGS 20-309 as the North Carolina Notice of Termination form was not submitted to the North Carolina Division of Motor Vehicles when liability coverages were cancelled for 7.0 percent of the cancelled private passenger automobile policies reviewed.

e. The Company was deemed to be in apparent violation of the provisions of NCGS 58-36-85(c) as the notice of nonrenewal was not issued at least 60 days prior to the termination date for 10.7 percent of the nonrenewed private passenger automobile policies reviewed.
f. The Company was reminded of the provisions of NCGS 58-36-85(b) as the notice of nonrenewal was not issued in writing for 3.6 percent of the nonrenewed private passenger automobile policies reviewed.

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**CONCLUSION**

An examination has been conducted on the market conduct affairs of Allstate Property and Casualty Insurance Company for the period January 1, 2007 through December 31, 2009 with analyses of certain operations of the Company being conducted through July 25, 2011. The Company’s response to this report, if any, is available upon request.

This examination was conducted in accordance with the North Carolina Department of Insurance and the National Association of Insurance Commissioners Market Regulation Handbook procedures, including analyses of Company operations in the areas of policyholder treatment, marketing, underwriting and rating, terminations and claims practices.

In addition to the undersigned, James P. McQuillan, CPCU and Dana Eaves, North Carolina Market Conduct Examiners, participated in this examination.
Respectfully submitted,

Norma M. Rafter, CPCU
Examiner-In-Charge
Market Regulation Division
State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.

Tracy M. Biehn, LPCS, MBA
Deputy Commissioner
Market Regulation Division
State of North Carolina